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Social Relations

PROSPERITY
FACT *or* MYTH

☆ STUART CHASE ☆

1930
ALBERT AND CHARLES BONI · NEW YORK

PROSPERITY: FACT OR MYTH

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INTRODUCTION

WALL STREET AND PROSPERITY

This book was written and in the printer's hands before the stock market crash of October, 1929. Fortunately it does not deal with stock markets, but with more tangible matters. Also fortunately I have indulged in no prophecies, but have first sketched the history of the current epoch, and second, attempted to assess it in human terms. My main concern has been to find out what this period of alleged prosperity has meant to the man on the street, and to his family.

As I reread the printer's proofs, I can find almost nothing affected by the spirited attempt of the Stock Exchange to give the country back to the Indians. The inflated values of September 1929 were made the text for a few references as to the danger of a collapse (I had no idea when it might come), and to the share of the owners as against other classes in the national income. These references have been revised, and here and there I have changed a tense or two.

No further editing by virtue of the somersaults in Wall Street, is, I believe, necessary. If the deflation of paper values carries over into the general commercial field, bring-

ing on a good, old fashioned business depression, this book simply becomes a historical document, chronicling what prosperity felt like when we had it. Perhaps, in this event, it will serve to prevent us from looking back over-sentimentally to days gone by. It will tell the story of the eight-year period which began in 1922 and ended on October 24, 1929. For all I know there may even be a moral or two in the recording.

My readers, however, cannot well refrain from speculating as to what the market collapse means, and what it foreshadows. Nor as a matter of fact, can I. Let us satisfy our joint curiosity here in an unpremeditated, thoroughly journalistic Introduction. In the body of the book I have tried to deal with established facts—facts which are already turning into history. This then will be our playground, beyond the eye of the schoolmaster, for irresponsible revery and contemplation.

The going financial structure, my friends, is as temperamental as a cigar lighter. Sometimes it works and sometimes it doesn't. Heavy-jowled men in immaculate sack suits and polka dot neckties have talked earnestly and convincingly of "technical position," "sound investments," "gilt-edged securities," "attractive yields." Rich, creamy words. Enchanted we have listened; enchanted we have handed over our savings, confident that the affairs of the nation were in the wisest of hands. We were even assured on the highest authority that the Republic was entering a whole new plateau of values, solid as a geological formation; the days of the business cycle were gone forever. How could aught go wrong with such omniscient engineers in charge of the dials and switches of the credit structure? Suddenly on a brisk fall day, fifty billions goes wrong. Hundreds of thousands of us lose our shirts. Others, hang-

ing on by one suspender, turn piteous eyes to the engineers. They are white, but undaunted. More words. "Wholesome liquidation"; "the bottom has been reached"; "the stabilized structure can now move forward"; "choice bargains for shrewd investors." We suck our savings dry and proceed to take advantage of the choice bargains. A brief rally; and down goes the ticker boring its way to the center of the earth, snapping the remaining suspender buttons as it goes.

The engineers turn out to be philologists. Their hands were not on levers and steering wheels but on dictionaries. The ferocious processes of supply and demand have proved that they did not know any more about the financial structure than we did. Mr. Mitchell of the National City Bank, it is safe to say, was as perplexed as my barber—who was cleaned out on October 24. That solemn convention which took their chairs in the offices of J. P. Morgan and Company, pledged to "plug the air holes" and save the nation—did they know what forces had been loosed; where the deluge would end? They did not, and do not. Like the rest of us, they can only strive to keep smiling and hope for the best. The solid plateau of values was nothing but arrant nonsense—on all fours with the values of Florida swamps in 1926.

A banker told me—and I think he believed it—that for a few hours at the close of the great crash of October 29, the entire banking system of the country was technically bankrupt. Had examiners simultaneously appeared in our major institutions during those hours, they would have found an excess of liabilities over assets. Personally I doubted the statement, but whether true or false it serves to drive home the point. The going financial structure brooks about the

same degree of human control as a September hurricane in the Gulf of Mexico.

With the reputations of nearly all the leading financial advisers and prophets in ruins—saving possibly that of Mr. Babson—I have no desire whatever to go charging in and have my coat cut to ribbons in my turn. Confident that no man understands the sublime process of the money and credit system, I have not the slightest hesitation in affirming that I do not understand it, and know no more where it is going than I know where a hurricane is going.

Indeed about all that one can do in the premises is to classify the problem and submit whatever pertinent facts are now available. At the cost of losing a sleeve or two, but hopefully not the whole coat, this I am prepared to do.

Two distinct problems are, of course, involved:

The future of the stock market.
The future of business prosperity.

They are interrelated as we shall see, but for the moment let us consider them as separate entities.

The stock market possesses a double function. It provides a field for investors, and a super roulette wheel for gamblers. Here again the line is blurred, but a moderately reasonable distinction can be made. Investors, buying shares outright, are looking primarily toward *income*. They are accordingly loath to pay a price which nets them much under five per cent. Savings banks are allowing four and one half, and the risk is less. A stock paying $5.00 a year in dividends ought to sell in the neighborhood of $100.00, from the investor's point of view. Gamblers, on the other hand, are looking primarily toward *principal*. They do not care what a stock is paying, but only whether it is moving up or down on the ticker—and the more briskly the better. For

the last two years, and particularly during the last few months, the gamblers had completely routed the investors. Inspired by tips, hunches, rumors, vague hints of mergers, melons to be cut, and fabulous future earnings, they had forced issue after issue up to a point where it only yielded three per cent, two per cent, even less. No investor in his senses could dream of paying such prices. In this worthy work of reaching for the stars the investment trusts did yeoman's service, pyramiding their own issues as the market soared. In this worthy work many great corporations did their bit by loaning cash reserves on call to finance the brokers' margin customers. In this worthy work the Federal Reserve Board also did its bit by adopting the motto: "They also serve who only stand and wait." Hat in hand they waited, having been told summarily enough by the major philologists to shut their mouths and keep them shut.

Came hardly the dawn, but still a bright October morning. Came indeed several October mornings—and one or two in November. When the mists rolled away the bodies of some half a million margineers were discovered prone upon the battlefield, and the investors had their market back again. For many items, they more than had it back, with prices yielding ten and twelve per cent. If they can retain it, beyond the inevitable adjustments here and there, quotations will remain somewhere near their present levels (November 15)—a good sixty billions short of the September peak. So far as six per cent is a reasonable return on capital invested—a rate mellowed by the years—a reasonable price structure in the market has been reached. On the same basis the September sky line was utterly unreasonable. The logical reality of the relationship between principal and income has reasserted itself, rendering the entire structure more sound and more coherent than it has been

for many months. Logical considerations, however, are only a fraction of the total scene. At the present moment psychological considerations perhaps bulk even greater.

Sixty billions of gas was pumped into the market. With a hissing scream, sixty billions came rushing out. Some two or three billions of actual cash was lost by the margin men, but at an earlier date sellers at peak prices had gained an equal sum. Some cash changed hands, a great paper balloon was inflated and deflated—broadly speaking this is the sum of the Wall Street story. Logically, if not psychologically, nothing of moment has happened at all. An all night poker game has broken up; excitement fades as the players snatch a cup of coffee and start for work. They carry the same sum of money, though in different pockets.

We will leave the stock market for the moment upon the table as Exhibit A. Do not joggle it, for it is very fragile. Now as to business prosperity in general. Here we deal with terms more tangible. What has the current year to tell us of sales, profits, physical production, car loadings, foreign trade, new construction? Up to September 1, profits were 40 per cent higher than in the same period in 1928. In August, Mr. Babson calculated general business at seven per cent above normal, although construction was sagging a little. For the first eight months of the year, I think it safe to say that 1929 registered the high water mark of the whole prosperity epoch—which means the busiest and most profitable eight months in the history of the Republic.

It is true that as the summer waned the motor car industry developed a small spasm of gastritis—due probably to forcing cars faster than public inclination and the somewhat overworked state of the highways permitted. As the automobile is the liver and lights of the whole prosperity era, any attack of indigestion, however small, is important.

But the slackening in production had not become severe. Most companies could have ceased producing altogether and still claimed 1929 as their year of maximum output. Per contra, the textile industry, following a decade of frantic but fruitless effort, finally succeeded in lowering skirts for winter styles in afternoon and evening frocks. This means uglier women, millions of additional yards of fabrics, and the brightest outlook the textile mills have had since the flapper came into her own.

In brief, the underlying structure of prosperity was proceeding at par, or a little better than par, when the stock market collapsed. Declining business was not responsible for declining security prices. What was responsible? I do not know. Perhaps as good a guess as any is that a group of bears started a minor operation, which, coinciding with a hazy feeling in speculators' minds that prices had gone too high for comfort, shortly turned into a landslide, overwhelming all and sundry. Like a cry of "fire" in a theatre, mob psychology has dominated the scene throughout.... But perhaps this "hazy notion" is attributing more sense to speculators than they possess. All the information which I received as I studied the general phenomena of prosperity, all the corporation balance sheets examined, all the business men with whom I came in contact, were looking for and planning for a steadily mounting curve. Beyond the little cloud in Detroit, the sky was reasonably clear and blue. Certain problems, such as technological unemployment, and the plight of the farmers, were pressing—but they have pressed throughout the epoch. So much for Exhibit B.

Now let us move the two exhibits together and merge their outlines. What has A already done to B, and what does it propose to do? Only a few odds and ends of evi-

dence are so far available. We have all heard stories—scores of them. Mostly they cover individual cases and thus are negligible as showing basic trends. Piecing them together it does appear that many orders for new motor cars have been cancelled; that the radio industry is slowing down—*following* the crash; that the sales of certain luxury goods, such as fur coats, jewelry, paintings, tickets to Europe, are being curtailed. More important still, there is, in New York at least, a widespread feeling of uncertainty tinged with fear. This is not an atmosphere in which business turnover can particularly flourish. If the market gains strength and moves up steadily, however slowly, the feeling may evaporate. But in any event, the luxury trades have, one suspects, a quiet winter before them.

On the other side of the ledger we note the liquidation of some two to three billions of capital lately frozen in brokers' loans. This is now available for more constructive purposes. The building industry has been particularly handicapped by lack of credit. Exhibit A has furnished the credit, if the industry cares to use it. It will not use it while the atmosphere of fear remains. Mr. Hoover's convocation of industrial leaders, together with Mr. Mellon's cut in income taxes, may serve to strengthen corporate backbones.

The facts before us, such as they are, indicate that business is slowing down, though not as yet below the level of what has been termed prosperity. Investors are probably going to control the stock market in the immediate future as against the gamblers. I would not be surprised, however, if the cloud in Detroit grew larger. If the Joneses have been cleaned out—and thousands of them have—it is no longer necessary to keep up with them. Brown and Gray, suburbanites both and non-speculators, can let the old bus do

for another year. God knows it is technically capable of it. Which means the end of the annual model racket. Which means a motor car consumption enormously reduced. Which means a blow to the heart of commercial prosperity. No less than four million jobs are dependent upon automobiles.

But it still escapes me why a prosperity founded on forcing people to consume what they do not need, and often do not want, is, or can be, a healthy and permanent growth. There will be enormous suffering when and if it cracks, but in the end we may secure something nearer to the heart's desire. One flat prophecy I will venture. When real prosperity comes, it will not be run by philologists.

The material for this study has been drawn from many sources. Without two specific books, however, each a gold mine of facts, it is safe to say that this book could never have been written. The first is *Middletown* by Robert and Helen Lynd, in which a typical American community is dissected before our eyes as thoroughly and intelligently as a great anthropologist dissects the economy and customs of a tribe of Central Africans. I would even go so far as to say that no one can really know his America until he has first read and mastered *Middletown.* The second is *Recent Economic Changes,* a massive two-volume study prepared under the direction of Dr. Wesley C. Mitchell and the National Bureau of Economic Research. It is by far the most comprehensive and authoritative statement of what has been happening in America in recent years yet compiled. Most of the figures used in the following analysis have been drawn from *Recent Economic Changes.* Needless to say, the generalizations and conclusions are mainly the author's.

PROSPERITY: FACT OR MYTH

CHAPTER I

THE FIFTH WAVE

In the year 1906, the Secretary of the Treasury was publicly praying that the country be delivered from more prosperity. That his prayers were in order was evidenced by the glorious crash in the following year—the profound business depression of 1907.

The present era, 1922 to 1929, marks the fifth great period of business prosperity in the history of the Republic. The first began just over a century ago, in 1825, following the recovery from the Napoleonic wars, and the revival of world trade. A tide of settlers from the East rolled over the Appalachians to the fat lands of the Middle West. The first steam engines began to wheeze their way over cast iron rails. For 12 ebullient years the curve went swinging upward, and ended with a dizzy nose dive in the panic of 1837.

Unshaven men, swirling sand around in tin pans, started the next upheaval. California gold, another great western migration, new types of horse-driven plows and harvesters, thousands of miles of new railroad lines, made the second

great era of American prosperity. It was born in 1849 and expired, amid the noisy explosions of banks, in 1857—aged 8 years.

Following the final liquidation of the Civil War, the third period got under way in 1879. American industry came out of the handicraft stage and turned definitely toward the machine. Another tidal wave of land occupation rolled to the Pacific. Through the "fat eighties" the band-wagon marched for 14 proud years, the longest spasm yet, and then rushed down a steep place—and very steep it was—into the cold, salt sea of 1893.

Era number four began with more unshaven men, prospecting some thousands of miles north of the forty-niners. Alaskan gold began to flow in 1898; the old-line trusts began to swell; electric power began to extend its copper tentacles; machines whirled faster and faster. Anon the Secretary of the Treasury—who obviously knew his business cycles—began to pray, and the 9-year party was over. A national morning-after headache was not the least of Mr. Taft's perplexities as he entered the White House.

Four prosperity eras—covering 12 years, 8 years, 14 years, 9 years—a total of 43 years out of roughly a century; an average duration of 11 years. Before we exhaust our adjectives on the unheard-of brilliance of the present period, it is well to remember that it is number five, and has run, with minor ups and downs, not quite 8 years. Based on the average of the past, it has 3 more years to go before the tail spin. But I do not advise my readers to buy or sell stocks on the strength of this calculation (remember October 24, 1929) for as we shall see, period five, while a close relative of the other four, is something in the nature of a biological sport. It does not run altogether

true to form at several points; while its size and ramifications are out of all proportion to the others.

Between 1910 and 1920, Europe lost 10,000,000 of its people. It emerged from the War less able-bodied, less self-reliant, less well-nourished. Its industrial equipment was sadly depreciated and badly organized for peace-time production. Its soils were depleted where they were not altogether scarified by actual battle. Fertilizers had been used for munitions. Farm animals were emaciated or dead. Whole cities were in ruins. Currency inflation, wild price fluctuations, staggering debts, completed the picture. Against such a background, the United States, sound in wind and limb, did not need to perform prodigies in order to step to the front of the economic stage. To take an ever greater relative lead, all that we needed to do was to stay in the same place. Even this feat, however, was temporarily beyond us. As we bowed in front of the curtain, a shower of brick bats coming from Heaven knows where knocked us into the foot-lights. The curve may be sketched as follows:

America recovered from the depression of 1915 quickly, due primarily to War orders. 1916 was a very prosperous year. 1917 and 1918 were years of hectic economic activity with huge profits, heavy taxes, plenty of employment, terrific waste, and with wage rates sagging behind the cost of living. We were far from impoverished by the War, but our economic progress was not rapid. The national income per capita was the same in 1918 as in 1913. In 1919, the dollar-a-year men packed their brief cases and took lower berths for home, shouting "business as usual" as they went. The Government, unfailingly polite to business men, scrapped its economic controls, restored the railroads, took its hand from prices and profits. Prices promptly jumped, business boomed, exports flowed into the European vac-

uum, war-time economy was thrown to the winds, the Stock Exchange assumed the momentum of a Derby winner. But physical production—that lump of reality at the heart of the pecuniary structure—was not so good. It dropped 10 per cent below 1918.

In May 1920 the brick bats began to fly. Wholesale prices suddenly collapsed, catching untold manufacturers and merchants whose inventory bins groaned with high priced raw and finished stocks. A good old '93 model panic was only prevented because exports and retail trade kept up for a time, and because the Federal Reserve System got its new pulmotors into the banks. In 1921, retail business and export trade headed determinedly downhill, with streams of unemployed in their wake. Corporation profits fell from 8 billions in 1919 to less than a billion in 1921; more than half of all companies going into the red. Commercial failures jumped from 6,500 to 19,700, and gross liabilities from 113 million to 627 million. Flat on our industrial faces we were. But Europe was still flatter. Our credit structure, particularly by virtue of the Federal Reserve System, was better organized than it was in 1893 and 1907; the Republic was physically intact with a huge domestic market, and with a running start for whatever foreign trade there was.

Inventories were painfully, but on the whole successfully, liquidated. (The disastrous days of May 1920 were committed to memory in an unprecedented era—that still obtains—of "hand-to-mouth buying.") In 1922 came a revival; in 1923 prosperity—Act V was in full swing. The next year witnessed a mild depression, with a revival in 1925 and in 1926. 1927 saw a slight contraction, but 1928 was good, and 1929 up to the stock market crash in October, at least, was a very prosperous business year. Mr.

Babson's index registered 7 per cent above normal, while net earnings of corporations were some 40 per cent above the same period in 1928. Which brings us down to date. We are now in the eighth year of prosperity as commercially and commonly defined. The effect on general business of the October débâcle in Wall Street remains to be seen. It is time to look a little more carefully at what this accepted phrase really means; particularly what it means to the ordinary citizen.

We will begin by presenting a typical chant from the programs of the Prosperity Chorus in the form of a full-page advertisement in the New York *Times* for May 7, 1929, paid for by the *True Story Magazine.*

America's Greatest Discovery Was—

That a millionaire cannot wear 10,000 pairs of $10 shoes. But a hundred thousand others can if they've got the $10 to pay for them, and the leisure to show them off.

This discovery was made less than 10 years ago. But it has been responsible in these 10 years for a greater measure of the success of American business than any other factor.

That Labor must have both the leisure and the money to buy all the things that it helps to make.

Jumped into the car—Went down to the store—Got tickets for the show—Didn't recognize the room when he came in—Didn't know me in my new suit—

When you take the underlay of these True Stories to-day you can scarcely believe that this is the same great spread of human beings whose stories were little more than a cry of common wants and pinching miseries less than 10 years ago.

The perfervid editors of *True Story Magazine* may possibly have their eye more on selling space to manufacturers, than on the truest of true stories; but their refrain can be heard at any moment, anywhere. Furthermore, they claim that the shift from tales of misery to tales of new cars and furniture and suits on the part of their contributors is borne out by "hundreds of thousands of personal human documents," *i.e.*, the confession manuscripts which come into their sanctum—inner or outer as the case may be.

Next, a sample from the other camp. Mrs. Daisy Worthington Worcester, lecturer at the University of California, on June 28, 1929, had this to say—and much more in the same vein—to the National Conference of Social Work at San Francisco:

> This myth of prosperity if believed will lead to inevitable catastrophe. America's prosperity is for only 24 per cent of the people, and this percentage owns all the wealth of this country. . . . In the time this excess has been accumulating, public charities have increased their expenditures 132 per cent.

James Truslow Adams, one of our soundest historians, also begs leave to differ in his recent book on business civilization:

> There is no rest from the effort to make money in ever larger and larger amounts. There is no prospect of comfortable retirement in old age. For many who never thought of it in the old days there is the ever present specter of illness and incapacity. Our prosperity can be maintained only by making people want more, and work more, all the time. Those, and they are many, who believe that our recent prosperity has been mainly caused by

the phenomenal expansion of the automobile business, tell us that it will soon be necessary to find some other article which will similarly take the public fancy and create billions in sales—and billions of expense to men already tired of doing nothing but meeting new expenses.

Four kinds of prosperity

While the unanimity as to the fact of prosperity from the business standpoint is overpowering—even Mr. Adams admits it—the consensus from the human standpoint is by no means so deafening. It is evident that the phenomenon needs careful analysis. What is prosperity? I can see at least four tenable definitions.

First, the commercial or business meaning. This is by far the commonest, and is measurable primarily in corporate profits, stock market quotations, bank clearings, volume of trade, price levels, export business, commercial failures, and, to a lesser degree, in physical production of goods, wage levels, volume of unemployment, national income per capita. As we shall see, prosperity calculated in these terms is by and large a provable fact—with certain large and mysterious exceptions, such as the failure of wholesale prices to rise as in all former periods, and the strange presence of a large number of bankruptcies.

Second, prosperity may be defined in terms of the distribution of material goods and services to the ultimate consumer. The commercial definition assumes this, but analysis discloses many periods of booming business—such as 1919—when the flow of tangible goods was actually declining. This definition is more human than the first, in that it casts a general glance in the direction of the material well-being of the wayfaring man, but it does not say much about the value of the goods, or their net effect on health, happiness, and habits. As we shall see, prosperity measured in

gross output of goods is undoubtedly a fact since 1922, but the net increase in tonnage is small compared with the tremendous increase in variety. We are using more new things —motor cars, electric appliances, radios, cosmetics—and less by weight per capita of the old staples—coal, cotton, meat, wool, grain.

Third, prosperity may be defined as an economic condition in which even if business does not particularly boom, or the distribution of tangible goods seem particularly lavish, the average citizen enjoys security and a modicum of leisure. It registers an end to the economic fear of old age, sickness, accident, unemployment, dependency; time to turn around as one labors, contemplate the sun, the stars and the meaning of life; time to dance and to play, to eat, drink, and make merry. Certain former cultures—one calls to mind the Inca Empire—rejoiced in this sort of prosperity. There was a paucity of bathtubs and outboard motor boats, to be sure, but there was enough to eat, little worry as to the future, leisure in which to savor life. We shall see how our present prosperity, measured in such terms, is marking time compared with a generation ago, if not positively losing ground.

Fourth and last, we might define prosperity as the life more abundant—an alliance of definitions two and three—compounding security and leisure with a wide variety of useful and beautiful material things, and above all an atmosphere in which the creative arts flourish, great projects are undertaken, temples rise, poets sing, and man climbs one step nearer to his remorseless destiny. The people of Peru were prosperous and happy after their fashion, but the great mass of them never rose above the level of reasonably primitive satisfactions. Art, learning, philosophy were for the few. In the definition here contemplated, such things

are for the many. How many? Say at least a percentage equal to the ratio of free citizens to the total population of Athens in the days of Pericles—something in the nature of one person out of three. As we shall see, only a few glimpses of this last and most rigorous definition are to be found in the America of 1929.

The prosperity chorus will doubtless be annoyed at my references to Peru and Greece as yard sticks. Why, it will ask, broaden the definition of prosperity beyond its accepted and current business meaning? Why look for trouble when everything—well, nearly everything—is proceeding so admirably? Is the fellow a peevish muckraker that he must go ambling down the centuries to find a handful of mud to sling?

One must broaden the definition, because this is precisely what the prosperity chorus does itself. Not content with the bare statistics of pig iron production, bank clearings, and foreign trade, it assumes blandly, invariably, and uncritically that *therefore* the average man is happier, the social life is richer, the level of civilization is steadily ascending. Now these are precisely the assumptions which need the most critical examination. We all can agree on pig iron and bank clearings, and even upon telephones per capita. But we cannot allow the optimists to claim that these things automatically insure the good life. They may be right, but they have never adequately proved their case. Indeed, it would tax the resources of psychology, anthropology, as well as history to prove it.

I shall try to be more modest and more limited in my discussion of prosperity than the financial editors, but if I stray occasionally into wider fields, it is because they have first dared me to enter. The sod is already torn with the marks of their boots.

CHAPTER II

THE BARE BONES

In this chapter I propose to set forth the facts concerning the present era of prosperity upon which every one can agree—the tangible, material, physical facts capable of statistical measurement, and already measured, checked and double-checked by careful and competent authorities. These are the things which all of us with any pretensions to intellectual honesty must admit—whether capitalist, socialist, communist, single taxer, or sun-dried vegetarian. If we refuse to admit them, then we must take our places, as belligerently as we please, in the ranks of bigoted and stupid men. Certain things have happened in America since 1921 which are as concrete and definite as the changes in the tide during the same period, or the swing of the earth on its axis. How these things have affected the lives of the people of America is another story; one that we shall explore presently. For the moment, here they are, not always to the decimal point perhaps, but gross and bulky as a mountain range. To chronicle all of them would take many volumes. I shall try to select the grossest, bulkiest, and the most susceptible to reasonable proof.

Obviously, our basic line is population growth. If pro-

duction, services, financial accumulations grew no faster than population, there would be little story to tell, and nothing whatever to become excited about. Such a record would mark a period of strictly normal growth, and the full page spreads, the banquet orations, and the thousands of editorials would be distinctly out of order. The excitement arises, and prosperity is announced—or should be—because the rate of material gain *exceeds* the rate of population gain. The facts in which we are interested accordingly are only those where acceleration—or deceleration—is marked compared with population, or, in certain cases, compared with their own performance in previous years.

The testimony of the eyes

Before plunging into facts and figures, however, let us first take an objective glance at the surrounding scene. Let us look briefly at the America which greets our eyes to-day, compared with 15, or even 8 years ago. What striking physical changes are to be noted? How did the patient look before, and how does he look after, swallowing the dose? Is the landscape transforming itself under our eyes?

It certainly is in New York City, and if we are not careful, under our very feet. Who shall say when another subway excavation may not yawn beneath him? Suppose we stand on the corner of Forty-second Street and Fifth Avenue, remembering also the hour we stood there along about the time of the Preparedness Day parade. Three items come immediately to our attention; skyscrapers, motor cars, and skirts. The first are well outstripping population (in more senses than one according to some of my real estate friends who are having difficulty renting space); the second fill all visible streets from curb to curb with one mass of churning steel—in a curve whose departure from population is astronomical in its magnitude; the last outstrip popula-

tion to be sure, but in the negative direction. At a guess, women are wearing about half as much clothes, by weight, as on the occasion of our earlier visit. They are on the whole more smartly dressed, shabbiness has declined, but they are using *less,* rather than more, material goods. The windows of the stores are shinier. One man in six is without a hat to-day in summer. The elevated looks as depressed as ever, the public library is a trifle dingier, the bums are still snoring in Bryant Park, there are more and pulpier magazines on the newsstands, morning coats and silk hats have disappeared, pedestrians seem to be moving faster. . . . Skyscrapers, motor cars and skirts remain the outstanding transformations. Two call for more goods, one calls for less.

Out in the Westchester suburbs, passing monolithic apartment houses as we go, we see phalanxes of new villas; some row on row like children's blocks and inconceivably ugly, some standing among trees and narrow lawns, smarter than suburban villas have ever been before. Many of them are charming in themselves, but as they ape all known styles of architecture from Babylon down, the total effect is a little disturbing. Prosperity has brought no recognized type of domestic architecture. Beside both the five-room box and the Moorish palace stand implacably the kennels for the motor cars of their owners.

We stop on Main Street, in a country town. That is, we stop if we can find a place to park. The red brick shops are little changed, save for the dressing of their windows. A gorgeous gentleman in blue and white is holding a gloved hand aloft in the middle of the street. Where was he in 1921? The new bank looks like a little Greek Temple—with apologies to the Greeks: the high school is new, well built, attractive—frequently the finest building in town;

the street lights are better designed and far more brilliant than they used to be. Robert's Grocery seems a little seedy across from the new chain store. The filling stations, all colors of the rainbow, are eye smashing. The movie palace has come a long way from the nickel show in the Odd Fellows Hall of the days before the War. Surely this "Beauty Shoppe" was not here when last we stopped? The glare of the old saloon has moved to the drug store. People on the streets are dressed more modishly if less durably; indeed, the sartorial contrast with Forty-second Street is not great. Farmer Jones with his buggy, chin whiskers, and corn-cob pipe has disappeared.

We go deeper into the country—a magnificent cement highroad under us; passing from time to time the looped cobwebs and slender towers of a high tension transmission line. Such highways and lines were rare a decade ago. At the four corners of a village we halt. The same old general store; the same old graveyard. But the church seems to be abandoned, with peeling paint, and door-step askew. And how many farms are up for sale. There is a new gas station; there is the little white school house as of yore. Not much change here under the elms, save for this great highway, and a feeling—how shall one describe it?—of decay, and the passing of an age. "Tourist" signs in front of farm houses; booths with vegetables all in rows. From the highway with its motor cars—one every 20 seconds, day in day out—this decaying culture seeks to keep its blood still flowing. . . .

Macadam and gasoline, where shall we not find them, city, town, and hamlet, America over? Beside this exhibit, all other physical changes sink into relative insignificance. Looking at the outside world with the eyes alone, prosperity

means the motor car and its appendages. James Truslow Adams had not been misinformed.

The testimony of statistics

Now to get down to figures. I shall list, one after another, the occurrences which seem to me to register the outstanding material changes of the last eight years.[1] *During this period, the population of the United States has increased approximately 12 per cent.* Keep this figure in mind as a measuring rod.

In the same period, the national income (measured in 1925 dollars) has increased from 69 billions to 89 billions.

"Income disbursed per capita," which Mr. Wesley C. Mitchell in *Recent Economic Changes* regards as the best index of prosperity, has grown as follows:

1913	$621	1923	$679
1917	656	1924	697
1919	611	1925	712
1920	600	1926	733
1921	576	1927	737[2]
1922	625	1928	742[2]

Taking the total income disbursed in the United States, adjusting for changes in the value of the dollar, and dividing the total by the population, gives the above figures. In 1928, if we were operating on Mr. George Bernard Shaw's plan of equal income for all, every man, woman and child in America would have $742 to spend. The figures tell us nothing, however, about actual distribution. The increase in income may be flowing entirely to certain classes, while other classes may be actually becoming poorer. They

[1] Some of the figures start prior to 1922. None should be taken as absolutely infallible. All serve to show the trend.

[2] Estimated by the author.

are only gross averages. As such, it appears that the mathematical, and probably mythical, average American was better off in 1917 than in 1913, fell back in 1919, further back in 1920, while in 1921—the year of the great depression—he was getting $45 less than in 1913. In 1922 he came back to his 1913 allowance with $4 to spare. He took a big jump of $54, in 1923—and has been jumping ever since. By 1928 he was $117 over his 1922 income, a gain of not far from 20 per cent. In other words, if the national income had been divided in the same relative amounts in 1928 as in 1922, we would all be a fifth better off—or more exactly, have 20 per cent more money to spend or to save. As we shall see later, there is reason to believe that there have been no tremendous shifts in relative distribution—though there have been many of substantial dimensions [3]—and so by and large, all things considered, 20 per cent more spending power, from 1922 to 1928, is perhaps as near the true inwardness of prosperity as it is possible for one single figure to exhibit. We must remember, however, that 20 per cent more of very little, is not so very much. To say that three-quarters of all American families averaged as much as $2,000 in 1920 would be optimistic; it was probably nearer $1,500. Four hundred dollars more by 1928 hardly converts them into plutocrats. The wolf moves from the front door to somewhere in back of the garage.

So much for cash. Let us turn now to the output of material goods. If total physical production be taken as 100 in 1919, the index stood at 104 in 1920, fell to 79 in 1921, recovered to 104 in 1922, and by 1927 had climbed to 130. From 1920 to 1927, while population was gaining approximately 12 per cent, physical production increased 25 per

[3] Of which by far the greatest is the gain of the city man as against the farmer.

cent. The gain is noticeable, but hardly striking. Which brings us back to short skirts. In various departments—such as women's clothing and even in food—we are consuming less by weight, though often more by value, than we used to do.

From 1922 to 1927, the output per worker in manufacturing establishments has been growing at the rate of 3.5 per cent per year, against 1.4 per cent per year for population—more than twice as fast. At the end of the five-year span, the average worker was producing 5 units, where at the beginning he was producing 4. This 25 per cent gain in productivity per worker is perhaps *the outstanding exhibit,* the central fire, of the prosperity period. It carries a very distressing by-product, however. Purchasing power has not been released fast enough to buy all the 5 units that the total force of workers is capable of making. And as a result, factory employees have lost their jobs in great numbers. Those that remained could produce all that the market demanded. Between 1920 and 1927 over 600,000 workers were dropped from factory pay-rolls because of the increase in efficiency. The same thing is happening in mining and transportation work. In all three departments it is accelerating since 1927. Meanwhile, it grows increasingly difficult for a man over 40 to find a new job, or even to hold his old one. Invention concentrates more and more on the automatic machine process, which forces the human being out of the picture altogether, except as dial watcher and switch thrower.

National income and physical production are growing faster than population, but productivity in factories aided by the machine is beating them both, thus operating to throw factory employees out of work. These four items, three of them good, one of them evil, comprise perhaps the

background of the period we call prosperity. There are many other bones in the skeleton, however. I draw the following list mainly from the conclusions of the authors of *Recent Economic Changes*. Like the account of William the Conquerer in *Alice In Wonderland* it is a dry list, but for those of us who really want a staccato outline of what has been happening to America, here is the true story stripped down to bare essentials.

Population

The rate of increase in population is slowing down. The restriction of immigration and birth control are taking their toll. The average annual increase was 1,800,000 from 1920 to 1925, and now has dropped to 1,500,000. This may annoy the ultra pious and the military gentlemen, but it certainly has done much to promote prosperity in that it means more goods for relatively fewer people. Meanwhile Americans are living longer. The average life-span is steadily increasing.

The unevenness of prosperity

In terms of national income distributed, the only sections of the country which have shown a decided gain are the Middle Atlantic states, the East North Central and Pacific states. "The rest of the country can hardly be said to have prospered during these years." In area, if not in population, the rest of the country is by far the biggest slice. New England manufactures have waned. The South, Middle West, and Mountain states have suffered with the depression of agriculture.

Coal mining, textile manufacturing, ship-building, railroad equipment manufacturing, shoe and leather fabricating have not been prosperous industries during the period.

In 1920, the index number for all farm prices stood at 205.

In 1921, it toppled to 116, perhaps the most terrible toboggan slide in American agricultural history. By 1927 it had only climbed to 131. In these three figures lie the whole sad story of the farmer in the last decade. The process has squeezed no less than a million people (net) from the farms and into the cities in the last 7 years. Machinery is gaining on the farm, even as it is in the factory. In 1913, farmers took 14 per cent of the national income. By 1926, their share had dropped to 10 per cent.

Labor

Real wages have shown a substantial increase since 1922, the largest advance coming in construction work. (Where trade unionism, incidentally, is very strong.) In addition, free services—education, health, recreation—furnished by the state have mounted rapidly, thus adding to real wages.

An average of five hours has been stricken from the working week since 1914.

Industrial accidents have increased slightly since 1920. Working conditions in shop and factory, particularly in respect to lighting, ventilation, and sanitation have improved.

By and large the speed of industrial work is increasing, and by and large the factor of human skill in a given process is declining. There is no evidence that nervous strain is accelerating, however. Many new skills are constantly being created. We are not turning into a nation of robots—as I have elsewhere demonstrated.[4]

Consumption and purchasing habits

A new standard of living has been in the making since 1920. It may or may not be a better standard; it certainly is a different one. Less food by bulk is being consumed, but the variety is far greater, and probably nearer to a balanced

[4] In *Men and Machines.*

ration—including less meat and more fresh vegetables and fruit. Cigarettes have bounded upward. Motor cars, telephones, radios, rayon, refrigerators, chemical preparations —particularly cosmetics and cleaning compounds, and electrical devices of all sorts have skyrocketed.

Styles in nearly all commodities are shifting faster than they ever did before. The consumer is under continuous and mounting pressure to buy the latest model, buy the newest creation, buy "the most marvelous improvement ever made." Aggressive salesmanship has developed a boiler with the safety valve tied down.

Retail trade is shifting from the country store to the town and city store, a move for which the automobile is primarily responsible. It is a matter of Ford radius versus buggy radius. Incidentally, it has contributed no prosperity whatever to the country store-keeper.

Chain stores, department stores, and mail order sales are absorbing an ever greater proportion of the retail trade of the country. About 15 per cent of that trade is done on the installment basis. Some $6,000,000,000 of "easy payment" paper is now outstanding. The total does not seem to be increasing. This is probably all the "easy payment" credit that Americans can swing at their present income levels.

Industrial management

Unit prime costs of factory goods are declining. Distribution costs are shooting upward. Industrial research is increasing, particularly in the direction of developing new products to tickle the consumer's fancy. By-products are being more effectively reclaimed. There has been a large increase in machinery for handling materials—such as belt conveyors. Such act as pace-makers for the whole factory process.

The era of the Big Boss is passing. Control based on

power and ownership is giving way to control based on knowledge, qualification and skill. This obtains only here and there in the industrial scene as yet, but the process is growing—primarily because there is more money in it. There has been a significant increase in the exchange between industries of what used to be trade secrets. Management is more coöperative and less jealously individualistic than it used to be. In England, on the contrary, Soames Forsyte continues never to let his left hand know what his right is doing.

The size of American factories has been greatly exaggerated. In the whole country probably only about 1,000 establishments employ 1,000 workers or more. We are still very far from universal mass production. Small plants show no tendency to disappear. In 1914, the average number of wage earners per establishment was 39. In 1927, it was only 43.5. The movement towards bigger average plants is thus slow. Horsepower per establishment is growing much faster however. Mass production is advancing, but at no headlong pace.

The movement towards the decentralization of industry is gaining steadily. Factories in large cities are actually decreasing in size. Rural factories are growing. "One industry" towns are depending less and less on their major industry—shoes, silk, or whatever it may be. Manufacturing is leveling out over the map of the country. Industrial blood clots are breaking up.

Prices, profits and finance

Wholesale prices have not risen, but declined very slowly during the period—this in the face of a flood of gold imports. Former periods of prosperity have been marked by booming prices. This is one of the most significant, even mysterious, differences in the current era. Retail prices

have increased a little, but not greatly. There have been few abrupt price changes on the whole. The stability of the price structure since 1922 has been remarkable.

The profits of industrial corporations increased 9 per cent each year from 1923 through 1927. 1928 and 1929 show no break in this upward curve, rather an acceleration. In the same period, prices of industrial stocks increased 14 per cent a year—putting them at inflated values compared with actual profits. By October 1929 many issues had shot out of the atmosphere of reality altogether. Speculation, and the hope of future profits had created a top-heavy edifice in Wall Street. On Black Thursday it came crashing down.

"There is little reason to believe that prosperity has been profitless." Certain industries, as we have seen, have not prospered, but on the whole profits have been good—though not as hilarious as in certain former periods—1916, for instance. At the same time, the number of bankruptcies has been strangely high throughout the period.

The last 8 years have been marked by an unusually large volume of savings. These have grown faster than population. The total value of life insurance outstanding has now topped the $100,000,000,000 mark—almost doubling since the War. We should remember, however, that 100 billions, vast as it may seem, is only a little more than the annual national income. In terms of the whole nation, we are insured for one year's income only.

Business has been financed less by the banks and more by direct sale of securities to the public. Interest rates have been low until the recent run-away stock market, a market which tied up an increasing amount of the nation's free capital in loans to speculators.

Mergers have been in vogue throughout the period. In

1919, 80 bank mergers were noted; in 1927, 259. Mergers in manufacturing and mining increased from 89 in 1919, to 221 in 1928. Public utility mergers are very fashionable at the present writing. Nor have the movies been behindhand in the game. These modern mergers are not like the old-line trusts. They are marked by refinancing and technical improvements, where the old buccaneers went in more for monopoly and promoters' profits.

Increasingly we enter a money and credit age. Pecuniary standards make headway over all other standards. New York City has now become, by a tremendous margin, the money center of the world. Above all, the period has witnessed the emergence of the business man as the dictator of our destinies. As admirably demonstrated in *Middletown,* he has ousted the statesman, the priest, the philosopher, as the creator of standards of ethics and behavior, and has become the final authority on the conduct of American society. Fortunately in the management of his own shop he is relying increasingly on the technician.

Foreign trade

Since 1922, exports and imports have taken a declining share in total American trade. They have increased somewhat in dollars, but not relatively. Older countries—and every little upstart nation born of the War—have girdled themselves with tariff walls which have had a disastrous effect on world trade. American manufacturers, crashing into these walls, have developed a new technique to get around them, or under them. They are building branch plants in the foreign country itself—which leaves them sitting snugly *inside* the tariff wall.

Our investments overseas have enormously expanded since the War. We have mortgaged foreign industries, utilities, railroads, cities, whole states. Contrary to the general

impression, foreigners continue to invest heavily in American securities. At the present time, the total of our investments abroad about equals the total of investments by foreigners in American properties.

These are the outstanding economic facts of the past 8 years. It is a bare recital, but they give us in one fast movie the modern economic scene. As I said at the beginning of the chapter, they are proveable facts which every one in his senses must admit, however much he may deplore them. With these bare bones before us we can now settle down to analyze their meaning in some detail.

CHAPTER III

WHY BUSINESS PROSPERITY CAME

To read the list of bare bones in the last chapter is to realize that prosperity, from the business man's point of view, has certainly been with us—at least with part of us—for the past 8 years. The price structure has been stable; corporation earnings have been increasing. Productivity per man has made phenomenal gains; the national income, both in total and per capita, grows greater every year.

But the picture also has its darker side. Many items either showed no gain, or even headed downward. Indeed, it is all too obvious by now that the hullaballoo of the prosperity chorus has been considerably overdone. Like all good optimists since the world began, the chorus has concentrated on the high lights and forgotten the more somber shadows. Discounting the excess of optimism, enough remains to be worth a shout or two, and more than enough to whet our curiosity as to how it has come about. What forces have been gathering since 1921 to make this commercial prosperity the very sizeable thing it is and to at-

tract foreign savants by the shipload for its measurement and study?

The six-cylinder complex

To my mind, the largest single force has been the motor car. The automobile was something which people really wanted with a desire that amounted to a passion. The effect was two-fold. It stimulated business, and it suffused the country with the visible *appearance* of a prosperity in which everybody seemed to share. Other prosperous periods have been stimulated by foreign trade, or by the seeping of gold into the community. But this particular period was stimulated by a large, active, noisy, and inescapable article visible on every road. You could see, hear, smell the monster for miles. (Some 25,000 unfortunates are touched by it each year, never to breathe again.) Something in the nature of 500 millions of horsepower was given over to the ultimate consumer in a remarkably short space of time—the biggest single block of power, by many fold, which the world has ever delivered. It sent the credit structure spiraling upward, and it certainly made us look prosperous.

When Henry Ford and the installment contract brought the cost of the automobile down to negotiable terms, it became something that people were willing to work for, save for, strive for. It promised three great gifts dear to the human heart: romantic adventure, social standing, and the joy of rushing through the air (the urge upon which operators of roller coasters and shoot-the-chutes thrive). A car! My car!! Is there a mathematician with a slide rule long enough to compute the total emotional force which these two phrases have touched off in the last decade?

A definite physical elation, which is so universal as to be counted as a biological norm, comes from skimming along at 30 to 40 miles an hour. Neither does this thrill die as one

matures. Adults enjoy it possibly even more than children. Without exception, the motor car is the most thrilling toy which *homo sapiens* has ever had to play with. Airplanes may prove still more thrilling but most of us have not as yet had opportunity to try them.

The thrill can be enhanced, furthermore, by shiny paint; bright nickel; little metal cups on cords, which, when pulled from a dash board, glow red hot; by tiny arrows moving against lighted dials; by wicked looking lines; by horns tuned to paralyze pedestrians; by gloriously overstuffed tires. The fact that many of these accessories serve no useful function only adds to the joy of conspicuous consumption. The demand for them is colossal, and thus, beside a booming motor car industry, we have a booming motor car accessory industry. To maintain the thrill—particularly after the novelty has worn off—ever greater speeds are required. Higher speeds mean better roads. Who shall say how much of the billion or so a year we spend for highways is the result of work-a-day transportation, and how much the result of a demand to have a steeper shoot-the-chutes?

Once the game has begun in earnest, the whole phenomenon of competitive social standards enters—backed to the limit by aggressive salesmanship on the part of the automobile manufacturer. The make, cost and model of one's motor car become one's heraldic symbol of position in the community. A carpenter with a Cadillac is as good as a banker with a Cadillac. If the carpenter sports a Lincoln, the banker must take second place. The innate thrill has forced us to purchase a car. Having got it, there is no choice but to take our position in the new hierarchy of values—a model T Ford at the bottom, a Rolls-Royce at the top. Life becomes a determined movement away from the first, up to the last. If we falter for so much as one

annual model, what will the Joneses say? To a man we sign the new installment contract; to a man we congratulate ourselves on the generosity of the allowance on the year-old veteran; to a man we feel that we have done our duty.

Not far from where I lived in a surburban town, a church was being built. Workmen were employed there for several years. When first I saw them, in 1925, they all had old Fords. The next year, they came almost without exception in Chevrolet coupés. In 1927, hardly a Ford or Chevrolet was to be seen parked in front of the church. Here were Buicks, Chryslers, Nashes, and an occasional Packard or Cadillac. It was as neat a factual demonstration of the sociological point which I have been trying to make as one could find. Doubtless it could be duplicated thousands of times, the country over.

Lastly, and equally important, the automobile, beside the elation of sheer speed, and its power to determine social position, promises romance, adventure, and escape from the monotony which all too often characterizes modern life. Over the hills and far away, an engine throbbing at our door-step, and North America lies in the hollow of our hands! Mountain, canyon, pass and glacier; mighty rivers, roaring cataracts, the glint of the sea—jump in, step on it, all are yours. This was promised; this was what one felt in his bones when first he bought a car.It fired the blood like wine. . . . And it used to be true. Fifteen years ago, if one could negotiate the roads, he was indeed an explorer in a new world. He did leave his past behind; shake the dust of his city from his shoes. Alas, it is not so true to-day. With 25 million cars upon the roads, the city has spilled over a thousand highways into the country. The old has corrupted the new. Once we could find escape with a motor car. Now how shall we escape from the line which creeps,

fender to fender, North, South, East and West; and from the universal Goodrich tire signs, Antique Shoppes, and Come-On-Inns, which greet our eyes?

But most of us have not tired of this gorgeous toy. Its appeal strikes deep into our innermost natures. It has captured our psychological *interest,* as nothing has ever done before, and as perhaps nothing will ever do again. It is the outstanding Why of American prosperity—both commercial and visible.

There are many lesser reasons. To launch the motor car upon an eager public required a highly skillful and specialized technique—indeed two techniques. Manufacturing costs had to be brought down to the purse of the average man. This could be done only by using the principles of mass production. Such principles were ancient, but Ford modernized and improved them. Mass production is profitable only if volume be maintained. If demand falls off, costs jump skyward. Fixed overhead charges stand like so many demons in the background of every mass production plant. To promote volume, demand must be kept at white heat. This necessitated the technique of high pressure salesmanship. In the latter department it is safe to say that General Motors did even better than Ford.

Here then were two beautifully developed techniques, both leading to great profits. Why not use them for the promotion of articles other than motor cars? No sooner said than done. Radios, washing machines, refrigerators, oil burners, vacuum cleaners and the rest, sought to find and capitalize the same passionate interest which turned the public to the automobile.

On the whole they have not found it. But they have tapped a secondary interest which is enough to build great plants, and enormously stimulate business. Of them all,

the radio has the greatest appeal, but there are signs that its heyday is passing; its roots do not strike so deep as those of the automobile.[1] Meanwhile it can never be such a stimulus to commercial activity, as its cost is only a small fraction of the cost and upkeep of a motor car. Indeed the cost of all of these toys and devices which have taken over the mass production, high pressure selling, easy payment technique, is pathetically small. When public interest in the automobile wanes to a point where useful function takes the place of thrills and conspicuous consumption, when the annual model racket falters, the whole structure of prosperity may be very seriously impaired. And no other article has yet been developed to fill the vacuum. It is for this reason that many business men are praying for a foolproof airplane. It is the only implement in sight costly enough to take the motor car's economic place.

It is impossible to exaggerate what the technique of mass production, properly controlled, might mean to material civilization. If ways and means can be found to enlarge purchasing power so that it may absorb the "inordinately productive output," and at the same time confine that output to articles which really belong in the field of standardization rather than in the field of craftsmanship or æsthetics, we might indeed have prosperity according to all of our four original definitions, and a very noble civilization. This control and discrimination, however, can hardly be said yet to have dawned.

Some other whys

Careful students have assigned various other reasons to

[1] The new Lexington Hotel in New York asked some 7,000 prospective patrons if they wanted radio equipment in their rooms. Only 245 replied in the affirmative. New York *Sun*, August 24, 1929.

the margin of prosperity already gained. Many of the phenomena we noted as signs of prosperity become, on the principle of the vicious circle, causes of prosperity as well. As we noted in the first chapter, the War helped American business. With Europe flat on its back after the Armistice, a vigorous, unscarred, highly industrialized nation could hardly go elsewhere than forward. In passing it may be pointed out that this particular handicap will not be allowed us indefinitely. It grows less every year. We are not the only clever people in the world, nor have we a monopoly on engineering ability.

Again, the restriction of immigration following the War is undoubtedly one of the reasons for prosperity. It cut down the supply of unskilled workers, and forced American manufacturers to economize labor. It promoted machinery to do the heavy work which immigrants had formerly put their backs to. It promoted better management and care of the existing labor force. It did much to promote the doctrine of the "economy of high wages."

A declining birth rate has combined with the restriction of immigration to check the normal growth of population in America. Prosperity owes no little, as Mr. Mitchell has pointed out, to this flattening curve. It has meant, in essence, more goods for fewer people.

The demands of mass production, the restriction of immigration, increased competition, better education, and for all we know, just God-given common sense, have made for more intelligent management on the part of American manufacturers. Indeed Mr. Mitchell holds this to be the outstanding Why of prosperity. He says:

> Since 1921, Americans have applied intelligence to the day's work more effectively than ever before. Thus,

the prime factor in producing the extraordinary changes in the economic fortunes of the European peoples during the 19th century is the prime factor in producing the prosperity of the United States in recent years. The old process of putting science into industry has been followed more intensively than before; it has been supplemented by tentative efforts to put science into business management, trade union policy, and government administration.

A distinguished English economist has phrased it thus: "Because American resources are abundant, they are wasted; because American labor is dear, it is economized."

More intelligent management has necessarily meant precisely those conditions in respect to labor which stupid management had, for a hundred years, been denouncing as ruinous to character, subversive to the state, contrary to the Bible, and fatal to production. Higher wages, shorter hours, better working conditions, and an elementary respect for human fatigue toxins, have all proved sound, profitable, productive, and helpful in the promotion of prosperity—both material and real.

Labor in turn has contributed to prosperity by meeting better management halfway. It has tended to give up the gospel of ca' canny and the restriction of production, and increasingly to coöperate with management in the search for increased productivity. To see a group of American workers smashing a new machine which threatened their jobs would be as incredible a spectacle as seeing them without tabloids and motor cars. In brief, impossible. . . . Despite this praiseworthy respect for their steel competitors, now and then a machine comes along, if I may say so, which badly wants smashing—an outboard motor for instance, with an open air—and ear—exhaust. A few smashed

belt conveyors—when they are geared too high—would also do a world of good.

There are those who say the Federal Reserve System has been at the bottom of prosperity, with its half of one per cent here, and half of one per cent there. There are others who say it has not. I am willing to accept the opinion of the authors of *Recent Economic Changes,* and admit that its existence, consciously or unconsciously, had had a stabilizing effect on the financial structure. I doubt, however, if the national income for 1929 would be as much as two per cent less if there had been no Federal Reserve System in the picture at all. Its real test is coming when a depression threatens. From the jeers and catcalls with which the Stock Exchange greets its attempts to regulate speculative loans, I am wondering just how effectively it will meet that test. . . .

Finally, it is alleged that the prohibition of strong drink accounts for much of the phenomenon of prosperity. At first blush the assumption seems plausible. The creation of the bootlegging industry with its turnover of a cool billion a year and its hundreds of thousands of workers, direct and indirect, has done much to stimulate commerce and industry. Consider the great trade of label printing alone. Consider the enhanced demand for motor boats, burlap, lumber, glass bottles, trucks, gasoline, uniforms and firearms. On further reflection, however, the case collapses. Great as is the bootlegging business, it is doubtful if it is any greater than the legitimate liquor traffic which it replaced. Some hold it to be greater—prices have certainly boomed—but I would guess that it was less.

The Anti-Saloon League, however, rests its case on other grounds. Prohibition, it says, has made for sobriety which in turn has made for greater productivity. This has un-

doubtedly been true in certain areas and for certain periods —particularly while the bootleggers were in process of erecting their mammoth structure. To-day with the structure erect, greased and in superb working order, it is somewhat dubious whether we are as a nation any more sober than we used to be. Meanwhile, a medical question is in order: What is the net effect on productivity of a quart of sound liquor as against a pint of rot gut? Less alcohol but worse seems to register no decline in deaths from injudicious drinking. One tries to be open-minded about the matter, but I think the Anti-Saloon League and its friends have still to prove their case.

When all is said and done, I come back to the motor car, and the psychological reactions it has engendered, as the chief factor in the creation of what we call American prosperity. One of the first results of the October 1929 stock market crash was the cancellation of many orders placed for new cars. If this movement, initiated by losing margin account speculators, spreads to the general buying public the curtain may be rung down on Act V.

CHAPTER IV

HOUSES

4

We have given the high lights of business prosperity, and inquired into the question of why it came. Now we turn our attention to the specific goods and services delivered to the ultimate consumer during the period, in an attempt to determine in some detail what has been happening to living standards.

Middletown stands in one of the North East Central states, well within the borders of the prosperous area. It is a city of some 40,000, a brisk manufacturing center surrounded by corn fields. It is not a one-industry town but makes automobile accessories, glass, and metal products. Native white Americans of native parentage compose 85 per cent of the population. It comes as close to an average sample of urban American life as one can find.

For this reason, Robert and Helen Lynd made Middletown the basis of a very exhaustive survey. They sought to find out what a typical American community was like; how it got its living, made its homes, trained its young; how it played, worshiped, engaged in community activities. Their book throws a great shaft of light on the tangible results of prosperity. While important changes have taken place since

1925, when the study was made, it is a matter more of degree than of kind. By that year the whole bony structure of prosperity was well in place. Income per capita was $712 in 1925 and $742 in 1928—a gain of only 4 per cent. It is safe to say that the Middletown which rises from its encircling corn fields to-day has not greatly changed since the time when the Lynds took it carefully to pieces. Bigger and better Buicks will be found, radios will doubtless have doubled, but the basic structure remains. We can thus use Middletown as a fair sample of how the American community carries on in the era of prosperity, and particularly, for the purposes of this chapter, the sorts of goods and services which it has at its command. The Lynds have made their study all the more valuable by frequent and illuminating comparisons with the Middletown of earlier periods, particularly 1890—a full generation ago, and towards the close of the third great era of American prosperity.

A local physician can still remember the pioneer culture out of which Middletown sprang. It is a useful date line. The log farmhouse of his father was ceiled inside without plaster, the walls bare save for the three pictures of Washington, Jackson and Clay. Meals were cooked before the great kitchen fireplace, and at night the room was lighted by the fire and tallow dips. Few owned watches and sun time was good enough to mark the day's work. When the family hearth went out, a boy ran to the neighbor's and fetched back fire between two boards. The homely wisdom of the period prescribed that children should be passed through the trunk of a hollow tree to cure "short growth"; hogs must be slaughtered at certain times of the moon or the bacon would shrink; babies must be weaned by the signs of the zodiac; a small bone from the heart of a deer—the "Madstone"—was good for hydrophobia and snake bite;

erysipelas was cured by charms; there were those who could "blow the fire out of a burn"; a pan of water under the bed checked night sweats; bleeding was a sovereign remedy for fits and fevers; in the treatment of measles, a tea made of sheep's dung, popularly known as "nanny tea," was a favorite household remedy. Social callers were unknown but all day visits were made on horseback or in the springless farm wagon. There were no daily papers and most news traveled by word of mouth. Men would gather and talk for hours on the Providential portent of the great comet of 1843, or of the time ten years before when the "stars fell." People traveled many rough miles to hear champions argue disputed political or religious points. Hospitality was universal; whoever appeared was urged to take his place at the table. Nine-tenths or more of all that people consumed was produced in the immediate neighborhood.

Forty years later, 1885, Middletown was a placid county-seat of some 6,000 souls, still retaining much of the simplicity of pioneer days. "On the streets on fair days lawyers, doctors, the officials of the county courts, and the merchants walked about in shirt sleeves. The house painter went along with his ladder on his shoulder. In the stillness could be heard the hammers of carpenters building a new house for the son of a merchant who had married the daughter of a blacksmith." . . . The town fathers were busy attending to complaints about cows running loose and destroying lawns, or the badly bungled job of the first town sewer. The leading citizens were professional men—doctors, lawyers, judges, editors, statesmen. The star of the business man had still to climb to the zenith. Industry in 1885 meant a bagging plant, a clay tile yard, a feather duster shop, a planing mill and a flour mill or two. Per-

haps half of all that Middletown consumed was locally produced.

To-day, save for the building trades, not 1 per cent of what Middletown makes is locally consumed. The output of its factories departs for the ends of the earth, and over its railroads the whole world contributes to its food, shelter and clothing.

Out of every 100 people in the city of 1925:

43 are gainfully employed—or trying to be.

23 are home making (housewives and helpers)

19 are in school.

15 are dependents—the very old, the disabled, and the children under 6.

There are over 400 occupations in which the gainfully employed engage—from abstracter to zoologist. The Lynds have divided this group—it is bad form in Middletown, as in America generally, to be voluntarily idle—into a *working class* and a *business class*. Members of the former address their activity primarily to things, and work mainly with their hands; members of the latter to people, services, ideas—and work mainly with their tongues or pencils. Seventy-one persons in 100 belong to the working class, 29 to the business class.

Two hundred and ten persons of the 17,000 gainfully employed reported net incomes of $5,000 or more in 1924. A thousand more reported incomes large enough to be taxable. Over 90 per cent of the people of the town presumably did not receive sufficient income to come under the federal tax provisions. This makes it reasonably obvious that most of the people of Middletown in 1924—and undoubtedly to-day as well—cannot invest heavily in luxuries and superluxuries. They still have their hands full paying for the prime necessities.

Twenty-seven per cent of the working class lives in houses valued at $2,500 or less. Such a house the Lynds have graphically described. It stands at the bottom of the scale, but it represents a large group, 2,500 out of the 9,200 houses in town.

The poorer workingman coming home after his nine and a half hours on the job, walks up the frequently unpaved street, turns in at a bare yard littered with a rusty velocipede or worn out automobile tires, opens a sagging door and enters the living room of his house. From the room the whole house is visible—the kitchen with table and floor swarming with flies and often strewn with bread crusts, orange skins, torn papers, and lumps of coal and wood; the bedrooms with soiled, heavy quilts falling off the beds. The worn green shades hanging down at tipsy angles admit only a flecked half light upon the ornate calendars or enlarged colored portraits of the children in heavy gilt frames tilted at a precarious angle just below the ceiling. The whole interior is musty with stale odors of food, clothing and tobacco. On the brown varnished shelf of the sideboard the wooden-backed family hairbrush, with the baby bottle, a worn purse and yesterday's newspaper, may be half stuffed out of sight behind a bright blue glass cake dish. Rust spots the base-burner. A baby in wet dirty clothes crawls about the bare floor among odd pieces of furniture.

I would guess that 25 per cent of all American workers —say 5 million men—are coming home to just such sights, and smells, and wet, crawling babies to-day. There may be a Ford in the yard, a radio on the sideboard, but the basic environment with all its depression and ugliness remains intact. "In another very dirty house almost totally with-

out furniture, the housewife, dressed in a soiled and badly torn gingham dress, with wide runs in her black cotton stockings and run-down heels, was at work at an electric washing machine." Because a house has an electric washing machine does not mean that it is a prosperous one. It may only mean that the local washing machine salesman is an expert at his trade.

We now move up to the 4,000 houses in Middletown valued at $2,500 to $4,500, and inhabited chiefly by skilled workmen and clerks. Here we find a tidy front yard, geraniums in the windows, coarse lace curtains, a name plate on the door. The living room is hard and bright, with pink flowered rug, artificial flowers, elaborate embroidered pillows, and shiny oak furniture. The sewing machine stands in the corner. Knicknacks are everywhere—easeled crayon portraits on piano or phonograph, a paper knife from Yellowstone Park, colored mottoes, a standing lamp with a red silk shade, magazines, but rarely any books. Almost all the equipment has been bought on the installment plan. A leading local furniture store centers its selling talk for its expensive over-stuffed davenports and chairs on the fact that the living room is the place where guests and strangers are received. Thus according to the manager, "working class families are persuaded to buy very expensive living-room suites and let the rest of the house slide a bit."

Next we have the 2,000 houses valued at $4,500 to $7,000. Here live head bookkeepers, small store proprietors, school-teachers and the lower ranks of the business group. It is a battle ground of forced choices—between a hardwood floor for the front hall, or a much needed rug, or music lessons, or a Y.M.C.A. camp for the children. The houses are larger but not so shiny as in the last group; the

furniture is older. There is less likely to be a radio than in a workingman's home, but Whistler's portrait of his mother will probably be on the wall, and a set of Dickens in worn binding in the parlor bookcase.

Finally we reach the 600 houses of the upper groups of the business class—all valued at $7,500 or over. The bulk of them are "the last word in the up-to-date small house." (No better description of them has ever been made than by Mr. Sinclair Lewis in his account of George F. Babbitt's residence in Floral Heights.) Everything from the bittersweet in the flower holder by the front door to the modern mahogany smoking table by the over-stuffed davenport bespeaks correctness. The living room opens by double doors into the dining room. The colors of rugs, chair coverings, curtains and the silk shades of the standing lamps, meticulously match. A sleeping porch is as mandatory as the cocktail shaker and kitchen cabinet. Colored photographs of Maxfield Parrish prints hang at precisely the level of the eyes. An electric refrigerator purrs from time to time in the background and lately the new oil burner thumps. Two palatial bathrooms, each with its due and proper complement of guest towels, grace the second floor. Such houses are complete, finished, perfect in their way, every detail out of *House and Garden,* or *Country Life in America.* "It is so hard to know what to give our relatives for Christmas," complains a Middletown matron, "they have their homes and their knicknacks and their pictures just as we have. It's hard to find anything new that they haven't got."

Lastly come the handful of houses of the really wealthy. Some of them are the "fine old places" of the Victorian era, with mansard roof, stone lions guarding the doorway—perhaps even an iron deer upon the lawn; some of them

very new and spacious, with three-car garages, and six masters' bedrooms all complete.

Four out of five of the business class houses are large enough to have two stories. Two out of three of the working class houses are single storied. The working class moves much more frequently than the business class, but renting is slowly giving way to home ownership.

The size of the standard building plot is growing smaller. In 1890, a plot had a 62½ foot frontage and 125 foot depth. To-day the common frontage is 40 feet and blocks contain 10, 12 and even 14 plots, where in 1890 they only contained 8. Frequently the back of a lot is sawed off and an additional home inserted fronting on a side street. There is less room for children to play in, less privacy, more noise—particularly by virtue of loud speakers—less pride in the appearance of one's "place." The family does not live on the porch or the lawn as it used to do. Flowers and shrubs must give ground to the driveway for the garage. "The make of one's car is rivaling the looks of one's place, as evidence of one's belonging."

Houses constructed in the last 10 years have at least 50 per cent more glass than in 1890. Furnaces are increasing in number but "most of the working class still live in the base-burner and unheated-bedroom era." All new houses, except the very cheapest, have bathrooms, and in many old houses they are being installed. But many still lack them; and in January, 1925, one in four of all the city's dwellings lacked running water. An even higher percentage still used the old-fashioned backyard privy—only two-thirds of the houses had sewer connections. Old and new habits jostle along side by side. Here is a family with primitive backyard water and sewage habits using an automobile, washing machine, electric iron and vacuum cleaner. No less

than 99 per cent of the houses in the town are wired for electricity. The transition to machine age illumination is all but complete.

So much for Middltown's houses. Is it a picture false to the overwhelming majority of the towns and cities of America? I believe not. Only in the dozen or so great cities does the tremendous growth of apartment houses create a radically different situation. In Megalopolis, the lawns, the porches, the gardens and the home play areas are not only becoming smaller, they have completely disappeared.

Wider vistas

We have examined a typical community. Let us now look at some nation-wide figures dealing with American housing. The floor space of new buildings constructed in 27 states (including 80 per cent or more of us) has been compiled in *Recent Economic Changes*. Here are the figures in millions of square feet:

	1919	*1923*	*1928*
Residential	242	354	508
Industrial	153	62	77
Commercial	111	93	134
Educational	23	44	53
Religious	5	9	12
Public buildings and hospitals	9	13	24
Social, recreational, etc.	17	17	27
Total	560	592	835

Houses for people to live in form the largest group, and the total has more than doubled since 1919—while population has increased not more than 17 per cent. It must be remembered, however, that the War period, of which 1919

formed an essential part, was one of little activity in home building. It has taken a long time to fill the vacuum left by the War years. (Dr. Wolman believes that it is now more than filled.) "Furthermore the new houses erected in and around cities have been for families in the upper income groups, with comparatively little construction for families in the lower income groups, which, for the most part, occupy older, less desirable structures." There are fewer shack districts than in 1919, but every great city has its slums and tenements now as then. A good many millions of words have been printed as to cleaning up the slums since prosperity arrived, but the net consumption of dynamite on the job has one fears added little to the profits of Mr. duPont. New York's East Side is crowned with a forest of radio antennæ but it is just as dirty and crowded and unpalatable as ever it was.

. The new houses are more expensive and probably of better quality than those built before the War. This is due in part to the increase in apartments, which must be stronger and more fireproof than the single family house, and in part to the fact that most of them have been built for the upper income groups.

A series of sample tests in various city communities shows that modern equipment has made the following progress:

83.9% of all houses have stationary sinks
82.2% " " " " flush toilets
71.3% " " " " stationary wash basins
68.3% " " " " " bathtubs
28.3% " " " " " laundry tubs.

Bathtubs per 1,000 of city folk have doubled since 1913 —indicating that we are somewhere in the nature of twice

as clean as we used to be. There are now no less than 18,000,000 bathtubs in urban houses, or one for every five persons; and the plumbers are laying them down at the rate of a million a year.

In 1920 there were 61 telephones per 1,000 city people, now there are 95. Houses wired for electric current have risen from 3,100,000 in 1913 to 17,600,000 in 1928. Eighty-six per cent of all non-farm people now have electric light. Middletown is above the average in this department. Eighteen million bathtubs require a lot of water. Water consumption in American cities is lordly. Regard the figures in gallons per capita per day:

Berlin	37.8
London	43.4
Paris	47.2
New York	142.0
Philadelphia	168.0
Chicago	281.0

The consumption of pianos and phonographs is declining—the radio taking up the slack. In 1920, there was hardly a receiving set in the country. To-day there are 10,000,000.

At a rough guess, there are about 27,000,000 homes in America. They are now (1928) equipped with:

15,300,000	electric flat irons
6,828,000	vacuum cleaners
5,000,000	washing machines
4,900,000	electric fans
4,540,000	electric toasters
2,600,000	electric heaters
755,000	electric refrigerators
348,000	ironing machines

From which it appears that the supersalesmen have still a few days' work ahead of them. There is plenty of sales resistance yet to break down.

By and large these national figures show a situation in respect to the housing of America which checks with the Middletown close-up. The space in which we make our homes grows smaller, both in respect to building and land. The one-room-with-kitchenette-and-folding-bed apartment has increased as fast or faster than the national income. Mechanical equipment within that narrower space grows somewhat greater. The picture of the average American sitting in his spacious home surrounded with mechanical marvels and every convenience is obviously an utter myth. It is very dubious if his home—as a place for family living and enjoyment—is as truly comfortable as it was in 1890. But he has running water, a bathtub, electric lights and probably a radio and telephone—which makes it a cleaner, better lighted, more strenuous and far noisier home.

CHAPTER V

CLOTHING, FOOD AND MOTOR CARS

In this era of furnaces, heated office buildings and enclosed automobiles, the usefulness of clothing as a protection to the body is declining. Clothes have always had three functions, applicable to primitive societies as well as to civilized communities. They have served to shield the skin against the weather; they have acted as a badge of rank, signifying the class to which one belongs; they have been employed to stimulate the interest of the opposite sex—taking the place of the bright plumage, ruffs, and colored markings of the animals and birds.

The last function is worthy of a moment's digression. In the last century among western peoples it is the woman who has chiefly exploited sex with her clothes. Prior to the coming of the industrial revolution, and what might be termed the "smokestack" style in men's apparel, the male tended to be as colorful as the female. Indeed George Washington in his silks and satins was perhaps an even more dazzling figure than Martha in hers. Throughout the animal kingdom it is the male who flaunts the shiniest coat, and the same is probably true for most past societies

of *homo sapiens*. Knee breeches, ruffles and bright colors went out of style about 1830, simultaneously with the descent of the pall of smoke from the early factories, and, oddly enough, simultaneously with the first era of American prosperity. There are signs that the current era is to see the beginning of the restoration to the male of his due and proper share of tail feathers. Look at him on the golf course already. Look at his sweaters, socks and shirts. Behold his pyjamas, his lurid "shorts," his trench coats, his bright blue and purple sack suits.

The function of clothing as a protection against the weather is certainly declining for both men and women. The function of clothes as a badge of social rank is enormously expanding over all classes in America for both sexes, but particularly for women. Only a connoisseur can distinguish Miss Astorbilt on Fifth Avenue from her father's stenographer or secretary. An immigrant arriving on the Avenue from the Polish plain described all American women as countesses. So eager are the lower income groups to dress as well in style, if not in quality, as their economic superiors, that class distinctions have all but disappeared. To the casual observer all American women dress alike. The movement to cut down the margin of class distinction in clothes started long before 1920—is even indigenous in a republican form of government—but it has made great headway since the War. It must be now nearly a decade since silk stockings became as necessary to a woman as a pair of trousers to a man.

It is difficult to assess the changes in the sex appeal function. Men are becoming more colorful. Women are exposing their bodies in an unheard-of fashion. The learned Sumner, however, after prodigious labors in the field of anthropology, has laid down the law that "morality varies

inversely with the amount of clothing." The fewer the clothes, the less the sexual lure. This is probably a sensible deduction. When all is visible, and the element of mystery has disappeared, it may well be—following the first shock—that nakedness is the least seductive of all costumes. And it is nakedness to which modern feminine styles increasingly aspire. A good Victorian bishop raised from the dead and shown a jazz age roadhouse at its gayest would doubtless be profoundly moved. But the modern male has seen so much that there is really very little left to see. Mystery has all but evaporated. Indeed women are seriously in danger of ruining this very ancient function of clothing altogether. But doubtless the designers will see to it before it is too late. It is already rumored that the siren type is shortly to displace the flapper. Which means more clothes. Afternoon and evening frocks are already creeping down.

Middletown corroborates the general philosophy set forth above. The diary of a leading merchant records for May 22, 1891: "Changed my flannels for cotton this morning." May, mind you! To-day flannel underwear is as obsolete as the frock coat. The Middletown housewife used to do her morning's work in a shirtwaist with high collar and long sleeves, a wool skirt over a flannel petticoat, with a broken whalebone in her second best corset gouging her somewhere down underneath all these clothes. To-day the standard dress for a high school girl is a brassière, knickers, knee length dress, low shoes, and silk stockings, nor does mother, or even grandmother, ask for very much more. Men still cover the body modestly from chin to soles, but women are (or were) rolling up from below, down from above, and in from the sides. In summer, men wear four times as much clothes by weight as women.

Middletown's women dress less and less for bodily pro-

tection against the weather, and more and more for social prestige. The head of one of the ready-to-wear stores frankly announced his advertising policy at the Advertising Club as "appealing first to style, second to price, and last to quality." Working class women and girls—particularly when the latter are in high school—make a desperate attempt to keep up with the bandwagon. "They're no longer content with plain, substantial, low-priced goods, but demand nifty goods that look like those every one else buys and like they see in the movies." Girls wear frocks to school and to work that ten years ago would have been considered party dresses. Father's Sunday suit is a vanishing institution. He wears it every night; he often wears it to work. Said the wife of a workingman with a total family income of $1,638: "No girl can wear cotton stockings to high school. Even in winter my children wear silk stockings with lisle or imitations underneath."

Fewer clothes are being made at home. A dry goods merchant estimates that he sold five bolts of cloth in 1890 for every bolt that now goes over his counter. Coats, dresses, suits, underwear are purchased ready-made. The housewife, no longer fabricating the raw material, ceases to be a judge of quality. Price is about all she has left as a standard. High-priced goods ought to wear better. Do they? Not always; for merchants often take advantage of this ignorance by deliberately marking up low-grade merchandise.

As a result women's clothes cost far more per pound than they did a generation, or even ten years ago. But the budget has been balanced in part by the *decline* in yardage. Women demand less cotton, wool, linen—which is a saving. The margin is eaten up by silk, rayon, furs, more processing, variety, color and style. From 1919 to 1927, rayon consumption increased from 9 million to 96 mil-

lion pounds. On the whole American women look better dressed; æsthetically and hygienically, they *are* better dressed. The final cost is not much greater, because of the decline in the amount of material per female.

Food

We come now to the last of the three great human staples of shelter, clothing, and food. As in clothing, sheer weight is giving way to variety. When I was a boy in New England, a sound breakfast consisted of oatmeal with cream, coffee and toast, marmalade, eggs and bacon, with flapjacks to follow. On Sundays codfish balls were strictly in order. Now I subsist on orange juice, toast and coffee. Middletown in 1890 had two distinct diets: "winter diet" and "summer diet." The "winter diet," as described by one housewife, consisted of:

> Steak, roasts, macaroni, Irish potatoes, sweet potatoes, turnips, cole slaw, fried apples, and stewed tomatoes with Indian pudding (corn meal), rice, cake, or pie for dessert. This was the winter repertoire of the average family that was not wealthy, and we swapped about from one combination to another, using pickles and chow chow to make the familiar starchy food relishing. We never thought of having fresh fruit or green vegetables and could not have got them if we had. . . . We had meat three times a day. Breakfast, pork chops or steak with fried potatoes, buckwheat cakes and hot bread; lunch, a hot roast and potatoes; supper, same roast cold.

Following the "winter diet" came "spring sickness." The patent medicine fraternity came out with the violets, and filled the newspapers with advertisements of sure

cures for "boils, sluggishness, thick blood, and other ailments resulting from heavy winter food." In those days the first beans and tomatoes began to be shipped from the South in May. Then came the local gardens. But with the October frosts, green things disappeared, and Middletown settled down to its seven months of "winter diet."

To-day Middletown, together with the whole country, is buying fresh fruits and vegetables throughout the year. The orange which used to make a Christmas gift for the children's stockings is now a daily necessity in most households. Refrigeration, cold storage, and rapid transportation have all but banished the "winter diet," and with it "spring sickness."

With apartment living and smaller yard space for single family houses, household gardens are not what they used to be; canned foods have come in by the million cases; baker's bread has worsted the kitchen oven, the delicatessen store has undermined no small part of the housewife's skill—yet by and large, we eat a better balanced ration to-day, to which the decline in sickness and the longer life-span figures in part bear witness. The decrease in malnutrition can be illustrated by the deaths from tuberculosis. Per 100,000 of the population (25 to 44 years of age) they have declined as follows:

	White Males	*White Females*
1911	481	265
1918	356	204
1920	209	162
1922	175	127
1924	158	113
1926	149	101

A tremendous drop took place after 1918. Is that about the time that we began to eat less meat and starch and more fruit and fresh vegetables?

Mr. Leo Wolman finds that gross calory intake is declining (energy units), and with it cereal and meat consumption, while fruit, vegetable and milk consumption is growing. Low price staples rich in calories are giving way to high priced foods poor in calories. Sugar consumption is also growing—and it remains to be seen whether the American Tobacco Company can check it by emerging victorious from the great candy-cigarette war.

Since 1919, the acreage of truck crops, sugar, ice cream, milk, butter, poultry, have gone up faster than population, while meat, wheat, corn meal, have stood still or positively declined.

Public inspection of foodstuffs is better, and quality is slowly improving. Whether the art of cooking is advancing or declining is a matter of acrimonious debate. One tends to forget the stomach-aches of one's childhood, and remember only the heaping board. Many of us think that food was tastier then, but it may be only imagination. It certainly was heavier—and far less tastefully served.

Food costs are creeping up because of more variety, fewer family gardens, longer hauls, bigger terminals, city congestion, more competitive advertising, and hand-to-mouth buying in small packages. There is more restaurant eating and less eating at home. "It's getting so a fellow has to make a date with his family to see them," complains one Middletown father. This also tends to raise the cost of eating.

In brief prosperity—and also the years immediately before 1922—has brought a better balanced, more nourishing diet, more variety, more tin cans and dandy little

containers, more appetizing service—in what might be termed the "tea room technique," less home cooking, more restaurant eating and higher food costs. (While retail prices as a whole have moved but little since 1922, food prices are tending upwards.) What dietary values we lose in more tinned goods we probably make up for in the great increase in fresh fruits and vegetables. Prosperity did not lower the "winter diet" into its grave, the process has been going on for a generation, but it has at least put on the head stone. Finally, as Mr. Wolman points out after his exhaustive studies, it would be a great mistake to conclude that malnutrition has been banished by American prosperity. It still obtains over great areas—particularly in the South, but it is not quite the scourge it used to be.

The motor car

A local carriage manufacturer estimated that in 1890 there were about 125 families in Middletown with a horse and buggy, out of a population of 6,000. Few rode, the great mass walked. In a Middletown machine shop a man was tinkering at a "steam wagon." In September, 1890, he pulled it out into the street for a trial. The newspaper account reads:

> The vehicle has the appearance of an ordinary road wagon, though there is no tongue attached. It is run on the principle of a railroad locomotive, a lever in front. The power is a small engine placed under the running gears and the steam is made by a small gasoline flame beneath a fuel tank. Twenty-five miles an hour can be attained by this wonderful device. The wagon will carry any load that can be placed upon it, climbing hills and passing over bad roads with the same ease as over a level road. The wagon complete costs nearly $1,000.

The first internal combustion automobile appeared in Middletown in 1900. By 1906 there were probably 200 in the county. At the close of 1923 there were 6,221 passenger cars in the city, or roughly two for every three families. "As, at the turn of the century, business class people began to feel apologetic if they did not have a telephone, so ownership of an automobile has now reached the point of being an accepted essential of normal living."

Homes are mortgaged to buy a car. A local finance company estimates that 75 to 90 per cent are purchased on time payment. Men in the clothing industry are convinced that they are bought at the expense of clothing, and statements of working class wives bear this out. Here are a few of them:

"We'd rather do without clothes than give up the car," said a mother of nine children. "We used to go to sister's to visit, but by the time we'd get the children shoed and dressed there wasn't any money left for carfare. Now no matter how they look, we just poke 'em in the car and take 'em along."

"We don't have no fancy clothes when we have the car to pay for, the car is the only pleasure we have."

"I'd go without food before I'll see us give up the car."

"We don't spend anything on recreation except for the car. It keeps the family together."

Out of 26 families without bathroom facilities in the working class group studied, 21 had automobiles. Here we have a new habit cutting in ahead of an older one and

slowing down its distribution. To be speedy and dirty is better than to be clean and stationary.

The motor car is even competing with the brothel. Out of 30 girls brought before the juvenile court of Middletown in 1924 charged with "sex crimes," 19 were listed as having committed the offense in an automobile.

For the nation as a whole the following figures tell the same story, only intensified as they run to 1928:

	1919	*1928*	*Per Cent Increase*
Passenger cars in service	6,771,000	21,630,000	216
Trucks in service	794,000	3,120,000	290

Each year about 4,000,000 new cars come snorting upon the highways of the Republic, and 2,000,000 battered veterans seek their last resting place—mainly in ditches beside the highway. The problem of some four billion pounds of abandoned metal added annually to the rusting tonnage of former years, grows daily more distressing, and to date insoluble. (In a suburb of New York, I counted 26 abandoned cars in a mile of country road—a road once beautiful, and now hideous with iron corpses.)

A study made in an urban community in 1928 of the class of people buying passenger cars gave the following results:

Superintendents, foremen, salesmen, clerks	30%
Laborers, artisans, firemen, motormen	29%
Manufacturers, merchants, professional people	27%
Housewives and sundry	14%
Total	100%

Of all cars bought in this particular study, 61.4 per cent were on installment, and 38.6 per cent for cash. It has been estimated that a reasonably good 4-cylinder closed car would cost $1,500 in 1913, $760 in 1920, and $600 today—the latter being easily the best car of the three from the engineering standpoint. This gives some indication of what mass production can do to prices if the market is strong enough to take the output. In 1922, 30 per cent of all cars on the road were closed; in 1927, 83 per cent. The plate glass industry raised no grave objections. The all-the-year-round operation encouraged by the closed car brought joy to oil companies, tire manufacturers, mixers of anti-freeze liquids, and garage men.

Not the least of the reverberations of the automobile has been the enormous number of new jobs which it has created; jobs which were non-existent in the economy of 1900. A recent estimate shows nearly 4,000,000 of them, as follows:

Automobile Man Power in the United States

Direct		
Motor vehicle factory employees	375,000	
Parts and accessory factory employees	320,000	
Tire factory employees	100,000	
Total direct:		795,000
Indirect		
Professional truck drivers	900,000	
Professional chauffeurs	500,000	
Repair shop and garage employees	575,000	
Dealers and salesmen—vehicles	225,000	
Dealers and salesmen—parts	135,000	

Refinery and oil workers	110,000
Highway officials and employees	100,000
Tire dealers and salesmen	95,000
Additional railroad workers	95,000
Additional metal workers	85,000
Financing and insurance force	30,000
Machine tool builders	20,000
Additional woodworkers	15,000
Additional upholsterers	15,000
Plate glass workers	15,000
Road material factory workers	12,000
Additional leather workers	10,000
Total indirect:	2,937,000
Grand Total:	3,732,000

Do you wonder that I class the motor car as the outstanding Why of prosperity?

The new standard of living

In conclusion it will be well, even at the risk of repetition, to enumerate again the specific goods, services and qualities which comprise the new American standard of living. Remember that it is not a list which all possess but only a list to which all aspire. . . . Or almost all.

Shelter

More apartment living	Refrigeration
More attractive villas for the business class	Sleeping porches
	Overstuffed furniture
Furnaces and oil heaters	Radios
Plumbing and bathtubs	Phonographs
Electric lights	Telephones

Electric appliances, such as washing machines
Five-foot shelves
Glittering cocktail services

And smaller space.

Clothing

More variety
More style
More silk
Rayon
More furs
More accent on underwear
More commercial laundry, pressing and cleaning work
More cosmetics
More fat reducers
Permanent waves
More colorful vestments for men

And poorer quality.

Food

More variety with fewer calories
More fresh vegetables
More fresh fruit
More tin cans
More quick lunches
More attractive service
More milk products
More packaged foods
More delicatessen shops
More restaurant eating
More tea houses
More drugstore bars
More candy and sugar
More chewing gum

And less home cooking.

Sundry

Motor cars
Moving and talking pictures
More elaborate children's toys
More books
More cigarettes
More comic strips
More athletic shows

More clubs, including night clubs
More high school and college education
More correspondence courses
More magazines and tabloids
More golf
More traveling—particularly to Florida and California
More bridge
More jazz
More parks and playgrounds

And more noise and speed.

By "more" in the above lists, I mean relative to population. These items are increasing faster than the number of the people in the country. Here is a typical advertisement goading us on to greater achievements:

> Every time an American consumer contents himself with antique furniture, old rugs, last year's suit of clothes instead of the newest products of our laboratories, science and factories, he is tightening the brake-band around the American wheel of progress and is retarding our standard of living.
>
> The Restless Age demands speed. Speed is our new habit. We love it. We depend upon it. Airplanes, limited trains, subway, speed boats, high powered cars, telephones, telegraphs—all minister to the desire to annihilate distance. Each succeeding year brings us new standards of swiftness.

With such words the prosperity chorus celebrates the new American standard of living. Personally, I am not so clear about the celebration, but the fact of the new standard is impossible to deny. One interesting phase of the

phenomenon as developed by Mr. Robert Brady is the decline in ownership of many things. We use more, but we own less. Will Rogers has volunteered to solve the traffic problem by keeping unpaid for cars off the roads. Two in three would cease to run. Great quantities of other goods we possess but do not own until the final payment is made. The growth of apartment renting, restaurants, laundries, circulating libraries, services of many kinds, all illustrate this tendency. "Mass production and mass consumption force the purchase of goods to take on the characteristics of the payment of a fee for the use of goods, and the performance of services."

Mass consumption has also dealt a body blow at the time honored doctrine of thrift. We are urged on the highest authority to spend rather than to save. Only by spending can we make the wheels of industry turn. We are urged deliberately to waste material. Throw away your razor blades, abandon your motor car, and purchase new. This strange doctrine would have horrified our grandfathers—and, alas, has an excellent chance of horrifying our grandchildren. It operates to engulf irreplaceable natural resources at a staggering rate.

We have seen the new standard taking possession of Middletown; we have only to open our eyes, think back to the days before the War, to see it in operation all about us. But the cardinal point to remember is this. *It is not a matter of adding luxuries and comforts to an adequate supply of the prime essentials. It is more a matter of forcing in luxuries and alleged comforts at the cost of the prime essentials.* It has been reliably estimated that in 1920 or thereabouts from 70 to 80 per cent of all American families lived below the budget of health and decency as compiled by the United States Department of Labor, and

priced at some $2,000 at that time.[1] As we have seen, per capita income has increased about 20 per cent during the era of prosperity. That means that many families have passed the modest limits of the budget, but it also means that the bulk of them are still below it, and by no stretch of the imagination can the average American be said to be in the position to buy great quantities of luxuries. No. Twenty per cent would hardly raise him to an adequate supply of the prime essentials.

What has actually happened is this. He has bought an automobile because his heart yearned for it, and the installment system made it financially possible by creating new credit. Meanwhile a swarm of high-powered salesmen and high-powered advertisers have induced him to buy a lot of other things—some because he hungered for them, and some because he could not help himself. (A case is on record of a Texas mechanic who contracted for more installment purchases payable monthly than he had monthly wages.) Style changes have been speeded up all along the line. The installment system created some six billions of new purchasing power out of the thin air. This helped enormously to begin with, but cash must ultimately be paid, plus 15 per cent interest on the average. If we buy motor cars, radios and overstuffed davenports on $40 a week we cannot spend as much for rent, for food, for clothing, or for education. Two plus two still makes four in the work-a-day world.

The supersalesmen have changed the standard of living by shifting the pennies in the consumer's dollar—but it is the same old dollar—plus 20 per cent. More radios and vacuum cleaners—smaller living quarters. More silk,

[1] $1,920.87 in Middletown in 1924.

rayon and fur, less cotton, wool and knit goods. More fruits, vegetables and packaged foods, less meat, flour and cereals. More motor cars, more mortgages. More gasoline, less shoe leather. More movies, fewer lectures and theaters.

The whole schedule does not come so far from balancing out—particularly after the six billions of installment credit is allowed for. We have not so much moved forward as we have done a side shift, crabwise. We are forsaking an old list of commodities and buying a new list of commodities and services. This connotes change but not necessarily progress. Study the changes listed in this chapter and the preceding one. Do they show progress or decline, or tit for tat? Personally I believe they do show on the whole a margin of progress, with various ups and downs in individual items.

Not long ago I walked along New York's East Side where the more poorly paid workers live. The buildings were old, slatternly, ugly and depressing beyond description. Yet out of a ramshackle doorway would come a child in a brand-new overcoat; a girl in silk stockings and furs. The contrast struck one between the eyes. It serves to typify the whole uneven, lateral development of American living standards.

CHAPTER VI

THE SHARE OF LABOR

Seventy-one in every 100 urban persons, as we have seen, belong to the working class; 29 to the business class. In this chapter we shall talk chiefly about the 71. They work primarily with their hands, and address their activity to physical things. The 29 work more with their heads and deal in words, paper-work, and ideas.

No clean-cut division of social classes can ever be made in America. In feudal days one was born and died a serf or tradesman or noble. Sociology was thus immensely simplified. Unfortunately, there were no sociologists to take advantage of these crisp divisions. To-day in the Western World and particularly in America there are no rigid class lines. Millions of us are continually climbing out of our class to something higher, or falling out of it to something lower. A skilled mechanic is likely to be a landlord at the same time, and thus be in the working class and business class both. A professional engineer may conduct a little business on the side in which he is principal stockholder; a merchant may be also a banker. Such are the complications we face when we attempt to study economic classes and their incomes. It is a condition which

must be borne in mind in connection with all the following facts and figures.

You will remember that the national income per capita has increased from $625 in 1922 to $742 in 1928, a gain of 20 per cent during the period of prosperity, and perhaps the most significant single figure in the whole exhibit. It told us nothing, however, as to income by classes. Mr. Morris A. Copeland has prepared a table which does tell us something. It is for the year 1925.

Share of the National Realized Income

	Billions of Dollars	*Per Cent*
Wages	30.7	38
Salaries	15.0	18
Pensions and benefits	1.1	1
Rents and royalties	10.6	13
Interest	3.9	5
Dividends	4.1	5
Profits withdrawn (mostly farmers and small business men)	16.4	20
Total	81.8	100

The working class received nearly 31 billion dollars in wages, or about 38 per cent of the total national income. The business class received in salaries, rents, interest and dividends some 35 billions of dollars, or 42 per cent of the total income of the country. Nor is this all. A considerable slice of the last item—profits withdrawn—belongs to the business class. The farmer's net profits above his operating expenses were not great in 1925. The bulk of that 16.4 billions is probably business class income taken by store-

keepers, and proprietors of unincorporated shops and enterprises. (I suspect that most owners of garages are in this category. This upsets us again, for they work primarily with their hands.)

It is a favorite argument of the socialists that the rich are getting richer and the poor are getting poorer. Mr. Copeland's figures do not bear this out. The rich are getting richer, but so are the poor. (Perhaps it would be better to say that the poor are becoming somewhat less poor.) Nor were the rich, up to 1925 at least, getting rich faster than the poor. The relative share in the national income had shifted but slightly since 1913:

Per Cent of National Income

	1913	*1925*
Wages	37%	38%
Salaries	15	18
Pensions, etc.	1	1
Rents and royalties	15	13
Interest	4	5
Dividends	6	5
Profits withdrawn	22	20
Total	100%	100%

The biggest jump since 1913 is in salaries. Clerks are increasing their numbers while executives in this era of prosperity lengthen at once their tee shots and their annual retainers. Landlords are losing ground a little, but not the bankers. Farmers were doing far better in 1913, a fact reflected in the last item.

We can now venture a very rough estimate of average family income. Mr. Copeland finds that 10 per cent of the population received a third of the national income in 1925.

What was the average per family for them, and what remained for the rest of us?

	Number of Families	*Share of National Income*	*Average per Family*
Richest 10 per cent	2,700,000	27 billions	$10,000
The rest of us	24,300,000	54 billions	2,200
Total	27,000,000	81 billions	$3,000

The richest 10 per cent comprises the upper strata of the business class—capitalists, landlords, bankers, higher executives, the more business-like of the professional men. This is the same group which lives in Middletown's "fine old places" and *House and Garden* villas. (There were, you will remember, 600 such houses out of the 9,000 in town.) It averages $10,000 a year, and drives at least two cars. The remaining 90 per cent of American families includes the lower levels of the business class, the working class, and the farmers. It averages $2,200 a year and does not always know just where the gasoline is coming from for one car. Probably a third of its members have no car at all. To-day with a national income of 90 billions, the averages for both groups will be a little higher, though the number of families has of course increased. The change will not be great.

Mr. Copeland has calculated the average income per employee for the year 1925 by various industries and occupations.

Agriculture	$ 537	(mostly farm laborers)
Merchandising	1,315	(shop girls and clerks)
Mining	1,318	

Manufacturing	1,362	
Transportation and utilities	1,554	
Construction	1,574	
Government employees	1,585	
Banking	2,179	(mostly clerks)
Unclassified	1,408	
All groups	$1,384	

This is not strictly a working class exhibit as it includes all who work for wages and salaries. It serves, however, to show two very important things:

First, in a year of great business prosperity the average employee only received $1,384.

Second, large sections of the white collar class, although a part ideologically of the business class, are in the same low economic condition as the manual workers. This applies particularly to shop girls, telephone girls, shipping clerks, messenger boys, the lower ranks of bookkeeping.

The reason that these figures are below the family averages shown earlier, is that increasingly in America it takes two or more workers to support a family. Average family income is always greater than the average income per employee.

The minimum cost of living for a "standard family of five" in Middletown in 1924 was $1,920.87. How many families received it? Unfortunately a complete census of incomes was not available, but the Lynds ferreted out certain significant facts. Of the 17,000 persons in the town who were gainfully employed, only 210 reported net incomes of $5,000 or over. One thousand more reported taxable incomes under $5,000. The rest was silence! Nearly

90 per cent of all workers either received less than $1,000, if single, or less than $2,000 if married (the allowable deductions at that time), or failed to make income tax returns.

One hundred working class families were picked at random. The total income of 74 of them was below the cost of living budget of $1,920.87—although some had less than 5 members in the family. Only 26 families earned more than this modest budget of health and decency. The income of the total group of 100 ranged from $344.50 to $3,460.00 with the median at $1,494.75. If the average male employee in one of Middletown's leading factories had worked steadily for 52 weeks in the year, he would have turned $1,573 into the family exchequer. His wife would have contributed $886.60 at the average rate for women employees in the same factory. These figures bear out the findings of Mr. Copeland.

In the summer of 1929, the New York Department of Labor surveyed 536 working class families—primarily where the wife was also a breadwinner. "Standards of housekeeping were usually good although cleanliness was often attained under difficulties. Some homes were dilapidated, run-down tenements, while others had rooms too few or too small for the size of the family." No less than 83 per cent of the mothers worked at home to supplement the family budget. Husbands averaged $28.26 a week ($1,470 a year) when working, but 17 per cent of them were unemployed at the time of the investigation. They were day laborers, building tradesmen, clothing workers. The wife added an average of about $6 to the weekly budget, varying from $3.88 per week for work on powder puffs to $12.50 a week for work on neckties. "Half of the families had an income which was less than the amount necessary to

maintain a standard of living at a minimum of decent subsistence for a family of 5. None of the families had medium income as large as that required to maintain a family of 5 at a minimum comfort level." The New York of 1929 does not vary much from the Middletown of 1925.

Since 1891, the cost of living in Middletown has increased 117 per cent. Wages, according to a specially selected study, have increased 191 per cent. The average worker has more money to spend to-day. He has gained appreciably over 1890. But he had very little money in 1890. A fractional addition to very little, as we pointed out before, is not so very much. Also as pecuniary standards gain ground more income comes in money rather than in kind.

During the same period, salaries of grade school teachers have increased about 150 per cent. Teachers have nosed out the cost of living a little but their margin is less than that of the manual workers. Their median salary is now about $1,350, while for high school teachers it is $1,575.

> Thus this crucial activity of spending one's best energies year in and year out in doing things remote from the immediate concerns of living eventuates apparently in the ability to buy somewhat more than formerly; but both business men and workingmen seem to be running for dear life in this effort to make the money they earn keep pace with the even more rapid growth of their subjective wants.

Since 1920, the striking changes in the American labor market have been:

> The restriction of immigration
> The decline in birth rates and death rates
> The growth of industry in the South

From 1907 to 1914, an average of no less than 686,000 immigrants from southeastern Europe and Asia landed on our shores each year. In 1925 just 22,000 disembarked. From northwestern Europe the decline was only from 177,000 to 141,000. Restriction quotas have operated chiefly against the so-called non-Nordic races. As a result some half million a year of pick and shovel men have ceased to flow into American industry. Again, as a result management has been forced to handle the available supply of labor with more care and efficiency than heretofore. Wages have tended upwards; automatic and semi-automatic machinery has been greatly stimulated; strikes have declined. Between 1916 and 1921 there were 3,503 strikes, involving 1,798,000 people. Between 1922 and 1926, the number had fallen to 1,164, involving 689,000—only about a third as many.

The best available barometer of wages during the present era is found in the combined hourly rates of 23 industries, including both skilled and unskilled labor, as presented in *Recent Economic Changes:*

1920	$0.61	1924	$0.56
1921	.52	1925	.56
1922	.49	1926	.56
1923	.54	1927	.57

Since 1922, retail prices have not greatly changed, thus the figures in the ensuing years are roughly comparable. Wages boomed after the War to a peak of 61 cents an hour in 1920; collapsed to 49 cents in the depression of the next two years; picked up to 56 cents in 1924—where they have more or less remained, the drift being slowly upward. In 1928 and 1929, the upward drift continues. It is doubtful if we have yet reached the 1920 peak.

It must be remembered, however, that an hourly rate of wages is something entirely different from cash put into the pay envelope. The latter is the final evidence of material welfare. Rates may be high, but if a man only works half a year, his net income may be very low. Nor are fines and systems of docking unknown in American industry. No national figures on net income by working class groups year by year are available, so we have to take the hourly rates as the next best thing. Fifty-seven cents an hour—call it 60 cents in 1929 if you want—for an 8-hour day, 300 working days a year, means an annual cash income of $1,440. Many, probably the majority of wage earners, are not working 300 days a year. Mr. Copeland, you will remember, calculated an annual average wage of $1,384 for various occupational groups in 1925. Again, using hourly rates this time, we check with his figures, and note no great increment in the last four years.

The building trades are about 50 per cent unionized the country over. In the big cities they are frequently 100 per cent unionized. They have pushed their hourly earnings higher than any other working class group. In 1914 they averaged 53 cents, in 1927, $1.32. The plateau in the hourly rate curves noticeable in other industries from 1923 to date, is not found among carpenters, masons, and plumbers. Their curve goes steadily upwards. We find large variations between cities, however. Carpenters receive 80 cents an hour in Atlanta and $1.50 in New York. Bricklayers get $1.38 in Los Angeles and $1.75 in St. Louis.

Hourly rates for *unskilled* labor increased from 20 cents in 1914 to 55 cents in 1920. They slid down to 41 cents in 1922 and have crept up slowly since then. On January 1, 1928, the United States Bureau of Labor Statistics esti-

mated the average for unskilled work the country over at 43 cents an hour, with the Middle Atlantic states paying the maximum, 49 cents; and the East South Central states paying the minimum, 27 cents.

The last figure indicates the very meager share in prosperity which labor in the South is receiving. In the last few years hundreds of thousands of people have come down from their farms and gone into the new mills which are blossoming all over the South. Many authorities believe that they would have done better to stay on their farms. Mill girls in Elizabethton, North Carolina, are paying $6 a week for board, $1 for bus fare, and receiving only $8.90 in their weekly pay envelope. Men making from $12 to $18 a week are paying $25 to $35 a month for the rental of company houses, thus drawing off half their income into rent. (A normal amount for rent is 25 to 30 per cent.) "Merchants in towns where real estate booms have followed the location of factories are anything but prosperous." The landlord claims the lion's share of the meager wages, leaving little over for the purchase of food and clothing. Columbus, Georgia, is paying $1.50 a day for common labor, and $2 a day for unskilled factory labor. Against such intolerable conditions labor in the South is now up in arms. It is high time. Prosperity has utterly passed these workers by.

Indeed it is difficult to observe anything particularly prosperous in the whole body of unskilled workers, the country over. Observe the yearly totals:

The United States average of 43 cents an hour means only $1,032 a year.

The Southern average of 27 cents means only $648 a year.

The Middle Atlantic average of 49 cents means only $1,176 a year.

How much gasoline on top of food, shelter and clothing does this pay for? And of course the figures as given are far too high. They are based on a 300-day year. Unskilled laborers are lucky if they are employed three days out of four.

The prosperity chorus has raised a considerable hue and cry as to labor's savings, and investments in corporation stocks. No statistics are available showing the amount of working class savings as such. The savings of the entire population increased from 8.4 billions in 1912 to 26.0 billions in 1927, while the number of depositors grew from 12.6 millions to 48.4 millions. This looks like a tremendous increase, but Mr. Abraham Epstein points out that on the basis of the 1912 dollar the present total instead of being 26 billions is nearer 15 billions. Furthermore, the number of depositors has increased to lordly proportions. Why? Because of school savings accounts, for one thing, engineered by the up-and-coming banking fraternity. A million such accounts were garnered in 1928 alone—but they averaged only $2.50 per pass book. Mr. Epstein concludes that the net increase in working class savings has been greatly over emphasized. He is undoubtedly right; but making all due allowances, a very considerable increment has been registered.

In respect to stock investments, while the number of working class investors is large, their average holdings are small. It is reliably estimated that they hold only about 1.5 per cent of the common and 2 per cent of the preferred issues of their several companies. This is a negligible interest, and very far from the "worker's control" which some

of the more exuberant have glimpsed as just around the corner. Another recent study of employee stock ownership in 20 large companies specializing in the practice, shows only 4.26 per cent of outstanding issues owned by the workers—including many salaried as well as manual employees.

There were about 100 billions of corporate stock outstanding in the United States in 1926. Employees had subscribed to not over one billion of this amount. Executives and professional employees held substantial blocks in the billion. This leaves the share of working class at considerably less than 1 per cent. Assuming a 10 per cent return —which is high—dividends now distributed to the workers, if equally divided among all American workers, would amount to less than $4 a year. "Can such a sum give the American workman a feeling of profound participation in the fruits of American prosperity?" It certainly can not. And does not.

In summary

To sum up our findings as to the share of labor. We have reason to believe:

(1) That wages as a whole are tending slowly upward.

(2) That wages as a whole are increasing faster than the cost of living—without allowing, however, for the *new standard of living*. If a motor car, a radio, a telephone and a bathtub be counted as prime essentials, wages are not keeping up to the cost of living. That they have not done so, the six billions of installment credit bear striking tribute. Workers have had to borrow to meet the new demands.

(3) That the share of the working class in the total national income was, to 1925, neither increasing nor declining.

(4) That savings and savings bank depositors are in-

creasing, but large reservations are in order in respect to the net increment to the working class.

(5) That the share of labor in corporate securities is negligible.

(6) That the average industrial worker receives somewhere in the neighborhood of $1,500 a year, with large variations vocationally and geographically. Unskilled labor in the South comes perilously close to the rock bottom of bare subsistence with an annual income of not over $650.

(7) That the only real prosperity has come in the ranks of certain skilled workers—notably in the construction industry. Even this is relative.

(8) That family income is normally greater than head-of-the-family income. If "the mister" had to pay all the bills, not only would the new standard of living be inconceivable, but it would be a life-and-death struggle to maintain the necessary modicum of food, shelter and clothing. I am talking, of course, in national averages. For many individual cases the mister still pays the total freight.

We will end with the eloquent testimony of Middletown on this last point. One third of all working women in the town are married. In 1890 few married women were to be found in the factories. Ninety per cent of the high school girls of 1924 announced that they expected to go to work. And most of them did. Out of 124 working class wives interviewed, 55 were working, or had worked, for wages during the past five years. When asked their reasons they gave the unemployment of their husbands, money for the children's education, clothes, accumulated debts, "extra money"; "it takes two to keep a family nowadays."

Here is a typical family of five. The father is 49, the mother 46, there are three boys of 19, 13 and 10 respectively. The oldest boy is in a small local college. The father

is employed fairly steadily at semi-skilled machine shop work. The mother works continuously in a factory in order that the boys can go through high school and college. "In a recent stretch of unemployment the oldest boy borrowed $125 to keep on with his schooling, both parents going on the note. The family manages by all buckling to the common job: husband and boys have taken over much of the housework. The boy of ten has dinner ready when the family gets home at noon."

Or again. The wife is speaking: "We always seem to have a doctor's bill around. The mister had an operation and I wanted to help pay that bill. Then he got back to work and was laid off again. He was out of work 9 months last year. The children needed clothes and I had to do it."

Ask the next one hundred persons you meet on the street how many separate pay envelopes are helping to support the family. You will get Middletown's experience on the nail.

CHAPTER VII

THE SHARE OF THE FARMER

I shall begin by quarreling with the title of this chapter. We economists and writers have a deplorable habit of trying to dodge responsibility and keep our readers interested at the same time by talking about "the working man," "the housewife," "the farmer." Of course no such person ever lived on land or sea. Every human personality differs from every other. The uniqueness of his inheritance, the millions of impacts with which environment has conditioned him, make Brown forever different from Grey. Factory workers living in standardized tenements, pouring in a black stream through the gates in the morning, pouring back at night, pouring down to the White City on Sunday, do present a mass effect where the use of averages, however inaccurate, is not altogether ludicrous. Clerks sorting letters all in rows present a similar picture.

But to use the simplification for the American farmer is too utterly incongruous. He does not operate in masses; geographically it is impossible, temperamentally he hates the thought of it. (And here I am using "he"!) There is no such thing as the American farmer or any semblance of

such a thing. There are about 6 million individuals[1] sprawled across the country from the potato fields of Aroostook county in Maine to the corner where the icicle of Lower California begins to drop off the continent. With their families they comprise nearly 30 million persons. They range from a happy shiftless negro tenant hoeing an acre of poor corn field in Mississippi to Mr. Campbell with his 80,000 acre, 100 per cent mechanized wheat farm, in Montana. Both are "Mr. American Farmer," but the mind balks at treating them as a unit. I shall accordingly try to keep away from predigested simplifications from this point on—and may Heaven forgive me for the "average workingman" whom I have presented earlier.

The War encouraged huge exports of American foodstuffs. We fed millions of European peasants who had left their fields for the trenches. Prices went up, acreage increased, the tractor became popular, efficiency was widely introduced. At the close of hostilities, American agriculture was in an exceedingly prosperous condition, relatively speaking. The hill billies of Kentucky were still cultivating their rocks, but farmers on negotiable land were doing well the country over. Prices had been pegged for them, land values were soaring, credit was readily obtainable. The whole economic structure of agriculture had been given a glorious kick upstairs.

Exports as we have seen held up well in 1919, and fairly well in 1920. In 1921, Europe suddenly stopped buying. Farm products shipped abroad tumbled $1,300,000,000 in the year. Wholesale prices collapsed. Land values exploded

[1] Farmers by tenure, 1925: Full owners, 3,313,000; part owners, 555,000; managers, 41,000; cash tenants, 393,000; other tenants, 2,069,000. Total, 6,371,000. In addition there were, in 1925, 3,085,000 farm laborers.

like pricked balloons. Unnumbered farmers who had been thinking of Florida, California and a new sedan, found their thoughts concentrated on mortgage interest. Their prosperity fell like a meteor into the sea.... And after 9 long years, the hiss of its extinguishment is still in their ears.

The following figures from *Recent Economic Changes* tell the sad story more effectively than any prose, however purple.

Index Numbers

	Prices Received for Farm Products	*Prices Paid by Farmers for their Supplies*	*Wages of Hired Farm Labor*	*Taxes on Farm Property*
1914	100	100	100	100
1918	200	178	176	118
1919	209	205	206	130
1920	205	206	239	155
1921	116	156	150	217
1922	124	152	146	232
1923	135	153	166	246
1924	134	154	166	249
1925	147	159	168	250
1926	136	156	171	253
1927	131	154	170	258

The chapter might well end here. There is really very little more to say. Where farmers were getting a dollar for their corn or wheat or cotton in 1914, they were getting more than $2 in 1919 and 1920. Then the whole structure collapsed to $1.16 in 1921—cut almost in half. It has climbed up a little since, but in 1927 it was only $1.31.

This is bad enough in itself. But worse is to come. Regard the other three columns. The prices which farmers paid for their clothing, hardware and other supplies had also doubled by 1920, and also tobogganed in 1921. But instead of going down to 116, they only went to 156—where they have more or less remained, *far above the level* of prices for farm products. American agriculture has thus been caught in the famous "scissors" which the Russians talk about. It must pay relatively more for what it buys than it receives for what it sells. The wider the jaws, the more it squirms. In 1927 the jaws were 23 painful points apart. In the last two years they have narrowed a little, but they are still wide enough to make the pain sufficiently intense.

The same thing happened in respect to the wages of the hired man, except that the scissors are even wider—39 points in 1927, and still widening. This has helped hired men a little but not the farmers who hire them. In taxes the situation is even more deplorable. Instead of dropping in 1921, taxes continued to climb. By 1927 they were no less than 127 points above farm product prices! Again the motor car makes its bow on the prosperity stage, but this time upside down. The chief reason for higher farm taxes lies in highway construction in rural areas. This has made contractors and automobile manufacturers prosperous but farmers have paid the freight. (Down the echoing aisles of history it is usually the farmers and the peasants who have paid the freight. The city man starves without them, but this strategic point they have never been quite able to grasp.) Figures for several counties in Michigan show that in the last 7 years taxes have absorbed *90 per cent of the net return to farm owners*. Other studies indicate

that an absorption of one-third to two-thirds the net return is common.

This woeful burden operates to depress land values. For the last century the value of farm lands had been marching steadily upward. Farmers came to believe that a mounting curve was inevitable—something as dependable as a mounting thermometer in the spring. They cannot adjust themselves to a sagging curve. But according to Mr. Edwin G. Nourse in *Recent Economic Changes* the end has come —1920 in his opinion registered the peak, nationally speaking. (Values in favored localities will of course continue upward.) That it certainly registered a steep temporary peak his figures make only too plain.

Index Number of Farm Land Values

	1913	*1920*	*1928*
Illinois	100	160	96
Iowa	100	213	117
North Dakota	100	145	99
Kansas	100	151	113
South Carolina	100	230	110
Texas	100	174	139
California	100	167	161
Connecticut	100	137	139

All the states listed except California and Connecticut show a landslide in values from 1920 to 1928. Iowa drops from 213 to 117; South Carolina from 230 to 110. California is only off 6 points; her fruit growers and truck gardeners with their great coöperative societies have withstood the deluge—for one reason because America is eating more fruit and vegetables. Connecticut has gained 2 points.

But Connecticut is not an agricultural state. Never having boomed, it never collapsed. It produces marketable hardware, not crops.

Mr. Copeland has prepared a profit and loss account for all American farms for the year ending June 30, 1927. It is a pity to kick a man when he is down, and to continue reciting the woes of agriculture may seem unnecessarily cruel. As an accountant, however, I cannot forebear to append his beautiful table. It must have taken months of arduous computation.

[1]Gross value of agricultural production		$12,127,000,000
Payments to other industrial groups . .		3,697,000,000
		$8,430,000,000
Wages paid hired labor	$1,291,000,000	
Rents paid—net	1,267,000,000	
Interest paid	260,000,000	
Loss due to fall in land values	2,160,000,000	
		4,978,000,000
Net return to owners		$3,452,000,000
Interest on market value of equity	$1,759,000,000	
Charge for owner's labor @ $540 per year	3,410,000,000	
"Normal profit"		5,169,000,000
Deficit of actual profit		$1,717,000,000

[1] Including estimate for food grown and consumed on farm.

To pay each farmer an average of $540 for his year's work, and 4½ per cent interest on the equity in his farm, would have taken 1,717 millions more than farmers actually received. It is true that a big element in the loss is the depreciation of land values, and so not an immediate cash expense. It is equally true that $540 for a year's labor by one strong and hard working male is an absurdly moderate allowance, while an interest rate of 4½ per cent on his equity is certainly conservative. Mr. Copeland adopted the former figure, as I understand it, because it was the average of cash wages paid farm laborers at the time. (You will remember we used it in the last chapter when average incomes for various classes of employees were being discussed.) Regarding all American agriculture as one business corporation, it was, despite shockingly low wage scales, nearly 2 billions in the red at a time when American prosperity was the favorite topic at innumerable banquets, and one of the great wonders of the world.

One final blow and I am done. Mr. Mitchell believes that the best single index of the lowly position of agriculture is in the percentage of farm per capita income, to the per capita income of the total population. In 1919, the average farm dweller was receiving 57 per cent as much income as the average American. In 1921, the ratio dropped to 34 per cent. Now it has climbed to about 40 per cent—and so still far short of 1919. Relative to the rest of us, farmers have lost 17 points in the last 10 years.

In the face of this depressing testimony it is pertinent to inquire how farmers continue to exist at all. As a matter of fact, many of them have ceased to exist—as farmers. Nearly a million (net) left their homesteads for the city between 1920 and 1927. But 6 million still remain. Why? Well, for two reasons.

In the first place, despite all my precautions at the beginning of the chapter, we have been talking mainly about agriculture as a whole, which is to say the average farmer. He is non-existent. Hundreds of thousands of individual farmers, the country over, have made ends meet, and thousands have prospered. Soil, crop demand, export opportunities, mechanization, local conditions, differ widely. Individual abilities differ widely. Here and there agriculture continues to pay well.

Secondly, and far more important, for agriculture to show a profit and loss account in red figures may be sad, even tragic, but it is not evidence of extermination. *Farming is not a business*—or, more properly, not *yet* a business. A corporation consistently in the red closes its doors and goes into the hands of a receiver. Without the life-giving margin of credits over debits, it shortly ceases to exist. It is a child of the money and credit system, and the penalty of breaking the rules of that system is death. Not so the farmer (and here at last I can be general). He is carrying on a job far older than the money and credit system. He is handicapped seriously by its rules, but in a pinch he can still defy them. No penalty of sudden extermination hangs over him. If his books do not balance, if his debits exceed his credits, he can throw his books out of the window and go out and pick a mess of peas, or milk the cow. He has a roof over his head, food in his fields, fuel in the wood lot. He can stand a financial siege if he must. The banker holding his mortgage may evict him and a few of his neighbors if interest is not paid, but he cannot evict a whole countryside. If times are generally bad, the banker may whistle for his money—and in the end go bankrupt himself.

Farming is a career, not a business. Its roots are very ancient and run profoundly deep. In the face of plowed

earth, flowing stream, hillside, meadow, orchard, woodland, all the figures which I have spread upon the record suddenly grow dim. What are index numbers and profit and loss accounts when the mighty Isak, that barge of a man, heaves his crowbar under a boulder in the *Growth of the Soil?* There are powerful forces at work as we shall see trying to bind the farmer to the pecuniary system, and make a proper business man of him. He is more of a business man than he used to be. Every time he gives up a row of beans for home consumption, he becomes more at the mercy of a pecuniary economy. Fortunately for the rest of us, the bulk of the 6 million have not crossed the line. Red figures or black figures, they have gone on plowing and sowing and harvesting. Theoretically millions of them are bankrupt, actually most of them have not shared in American prosperity—but they continue to exist, strong, hardworking, reasonably healthy. Because they are farmers. Their strength lies in the soil, not in engraved figures on pieces of paper.

I am sorry for them, but I do not pity them—sometimes indeed I envy them. Nor am I alone. Despite their dearth of prosperity, more than a million city folks a year (including women and children) go back to the farms—offsetting in part the still larger stream in the other direction. They go back because of [2]

Healthier living conditions
The high cost of city living
Unemployment
Dislike of city work
Desire for a more independent life.

[2] Based on test questionnaires.

I spoke earlier of the variations in farm prosperity—or the lack of it. Certain studies are available to drive this point home. Mr. Wolman finds two great classes of American agriculturists; the 42 in every 100 living on farms valued at less than $4,000, and the 58 living on farms valued at or above that figure. The former live generally on poor land, the latter on good land. The poor land group has borne the brunt of the agricultural depression, eking out a living by hiring out for wages. In 300 such farms in Ohio, the gross income averaged $804 per year, operating expenses were $580, leaving only $224 for living expenses. The poor land group has not improved its standard of living at all since 1919. Mr. Wolman doubts, however, whether its standard has actually declined.

The group living on good land has probably improved its living standards a little since 1919. *But it has done so by piling up indebtedness.* Such farmers have preferred to increase the mortgage rather than give up the car and the radio. A young man about town may look very prosperous, even though his I.O.U's are in a hundred pockets. The red figures we have been examining are more noticeable in the vaults of banks than in and about the farm itself. On the 6 million farms are now some 4,500,000 passenger automobiles.

No. As William Allen White points out, American farmers, for all their troubles, refuse to become peasants. They will not take their families to town in two-wheeled carts, or work the children on the fields when they should be in school. They demand their picture shows, daily papers, radios and Fords—even at the price of more indebtedness. For which let us thank whatever gods may be!

Variations in prosperity by crops are also significant. The machine is profoundly disturbing wheat farming. The

"combine"—that astonishing double action mechanism—cannot be efficiently applied to a standard 160-acre family farm. It needs at least 4 sections—640 acres—to operate effectively. Two men with a combine and other machines, plus a little seasonal help, can bring the cost of production 20 cents a bushel below old methods. As a result the big wheat farms in the Great Plains region are for the moment doing fairly well, where the smaller family farms, particularly in the Middle West, are doing badly.

The same story holds in corn. Such machines as tractors, four-row cultivators, harvesters, shellers, feed grinders, silo fillers are moving the efficient unit up to 1,000 acres or more. "Under these methods, corn farming will offer satisfactory returns to a declining number of workers, each performing the necessary labor on an increasing acreage with relatively large machine equipment." The transition meanwhile is very painful to all concerned. A few have made it and prospered. Mr. Nourse laments that if only Iowa's fat war profits had gone into tractors and silo fillers instead of fake promotions, oil stock, gold mines, and sleazy investments generally, her situation would be far different today. The answer is, of course, that the Iowa corn grower, like most farmers, is not a business man.

The boll weevil deserves yet another statue. By reason of the havoc it caused in the South, it opened up new cotton lands in Texas and Oklahoma. These lands were unencumbered with traditions; they could start without handicap. They are now being laid out in mile-long rows—320-acre mechanized units—instead of a 10-acre mule patch. Mechanical pickers, tractors, "sleds" are bringing down the cost of production rapidly. These new farms are at present prospering, but cotton growing in the old South—with its large stock of mules, devouring mountains of expensive

feeds in exchange for a relatively small amount of power—is in a seriously depressed condition.

Cattle raisers are for the moment doing fairly well, while dairy and poultry farming are both precarious. With the decline of horses, the demand for oats and hay has been drastically reduced. The acreage of peaches, prunes, vineyards, and grapefruit is excessive. Local markets, generally speaking, are declining, and crops must be sold in larger towns. This means long hauls, with the cream of the traffic going to the carrier. As we go down the roster of crops, we note here and there a ray of sunshine—as in the Texas cotton fields—but by and large the skies are overcast, with no clearing signals visible.

American farmers as a class have had no share in American prosperity. They have bought some of the outward symbols, but their basic condition has improved but slightly since the crash of 1921. For the poor land farmers, it has not improved at all.

The share of agriculture has been perhaps sufficiently established, but curiosity drives us on to inquire *why* the farmers are worse off than in 1920, while the rest of us are in terms of money income, at least, better off. Why did our curve go up, and theirs go down? What made the scissors open wider?

Why farmers have not prospered

For one thing, as the scissors figure suggests, our changing standards have tended to depress the farmers. The nation is eating lighter foods, wearing lighter clothing. Fruit and vegetable farmers have benefited somewhat (the trouble is the new demand has been frequently overestimated, resulting in excessive acreage) but cotton, grain, sheep and cattle raisers have suffered. Clothing demand has shifted to silk and rayon—good for Chinamen and wood pulp manufac-

turers, not for farmers. Nor is much in the way of agricultural raw materials to be found in automobiles, gasoline, radios, sporting goods, moving pictures, travel, college education and tabloids—all great items in the new standard of living.

Higher wages in industry have forced farmers to compete with the factory for labor, and thus raised somewhat the wages of the hired men—as we have already noted. Also, as we have seen, the taxes inspired by the motor car have been a tremendous burden.

The collapse of the European market in 1921—a market which has never really come back—was the inciting cause of the whole agricultural toboggan slide. Meanwhile Canada, the Argentine, and Australasia have been putting an ever greater volume of agricultural products on the world market to the detriment of America. Canadian wheat has jumped from 52 million bushels in 1900 to 550 million in 1928; Argentine from 78 millions to 239 in the same period; Australasian from 49 to 119 million bushels. Argentine beef exports have increased from 54 million pounds in 1900 to 2 billion pounds to-day.

Finally, and perhaps most important of all from any long-range view, the machine has enormously distressed most farmers. It has made a few rich, but thrown agriculture as a whole completely out of step, and disrupted its time-honored rhythms. Tractors have eliminated 6 million horses and mules from farms in the last 13 years. A tractor eats gasoline; horses eat oats and hay. Some 18 million acres of hay and grain lands are no longer needed, to the increasing dismay of hay and grain farmers. Worse, the old crop rotation of corn one year, oats the next, meadow land the third, goes into the discard, breaking up an old and admirable economy.

Agriculture has always suffered from over-production. Machines increase the agony. They get more of a crop out of a given acre. Unless acres decline, the market inevitably will be saturated. Acres, alas, have not declined appreciably. The 19 principal crops covered 351 million acres in 1919 and 349 million acres in 1927. While a million farms were being abandoned during this period the "mass" of crop production, taken as 100 in 1919, grew to 106 in 1927. Workers are fewer, farms are larger, production is greater. As in the factory, output per man on the farm is increasing, though at a far more leisurely pace. The large output tends to keep prices low. Thus the gain in efficiency has not benefited most farmers.

Which brings us head on into the whole question of agriculture and mass production. Mr. Ford with a wave of the hand would banish agriculture's tribulations by putting it on a mass production basis (or more accurately on a *quantity* production basis; mass production really connotes the assembly of standardized unit parts, which are not found in farm products). He would plow, cultivate, harvest, grade and ship by great machines under the guidance of a few skilled mechanics. We may, of course, come to this; but to-day we have over 6 million farmers on our hands. The practical problem is how to deal with them—not only industrially, but *psychologically*. Most of them have adopted the cultivation of the land as a way of life. They are interested less in industrial efficiency than in living. To put Mr. Ford's suggestion into practice would wipe out a whole great culture; and human cultures are stubborn growths.

We are thus faced with an almost unbridgeable chasm. American farming is not humanly adaptable to large scale business methods.To introduce quantity production wholesale means the end of farming as a way of life.

Let us look a little more carefully into the fundamental incompatibility of the farm and business. To begin with farmers are less mobile than industrial workers; they do not respond readily to shifts in demand, or to technical improvements. In the second place, the installation of a new machine requires first the approval or vote of the individual farmer, and second the individual financing thereof. How far would the machine age have progressed if factory workers had voted on each new loom or lathe, and then purchased it on their own credit? Somewhere higher up a boss decided on the new machine, and his board of directors found him the money. The worker either took it or took himself off the premises. Technological progress over the whole field of agriculture must be not only a slow process, but at some points—such as maximum efficient acreage per machine—an impossible one. Only a brand-new kind of centralized, coördinated control can really domesticate the machine on the farm. The half-way measures—a mechanized farm here and there—which are now in process, have no discernible end except more muddle. The Texas cotton growers have a temporary advantage, but I predict that it will not last. Two cultures, fundamentally at odds, are trying to live in the same house.

The business farmer, with large acreage and complete mechanization, brings down costs and makes a fair return on his investment. Good. Then what happens? The little farmers, hearing of the profits, sow their fields with the same crop. Squatters take up land and sow the same crop. Prices drop. Both big and little men are soon in the red. But the big man is likely to suffer more in the end. He has heavy fixed charges to meet on a large, depreciating investment. Under individual ownership and operation, crop surpluses have been and always will be unpredictable. No-

body has yet found a way to control rain, frost, hail and wind. This is a sufficiently risky situation for a centrally planned production system; it is altogether too risky for large blocks of private capital to flirt with indefinitely. A report of the United States Chamber of Commerce made in the summer of 1929, finds that 74 large farms averaging 12,000 acres, in 28 states, are neither more nor less successful than neighboring small family farms. It concludes that a revolutionary change in agriculture in the direction of quantity production—with its inevitable by-product of a disastrous effect on the social life of the rural population —is far from fulfillment. I submit that it never can be fulfilled. The farmer is not a business man.

A ray of hope

There is one available compromise which may or may not eventuate successfully, but it furnishes about the only fundamentally hopeful feature in the whole agricultural situation. By means of strong coöperative societies with adequate supplies of credit at their command, farmers may conceivably regulate production by agreeing to a predetermined acreage, and so keep prices at a figure which nets them more than $540 for a year's work. It is conceivable that they may even purchase machinery coöperatively and use it efficiently by treating their own and their neighbor's acres as one operating unit. Russian farmers are now doing precisely this. Such a program means the end of traditional individualism, but not necessarily the end of the farmer. His culture will be profoundly modified by coöperative methods, but not stamped out. Mr. Ford's scheme would stamp it out.

O, yes. There is one more bright spot for some of us. Because agriculture has enjoyed no prosperity, we city folks have obtained our food in the last 8 years at a price below the cost of production.

CHAPTER VIII

THE SHARE OF THE MIDDLE CLASS

We come now to a consideration of the prosperity of the class to which I have the honor to belong. It is an ambiguous group, neither fish, flesh, nor fowl. The Lynds ally it with the business class, though many of us—clerks, laboratory men, surgeons—do much work with our hands. We comprise everybody who is not a farmer, a manual laborer, or an owner (capitalist, landlord, top executive). Three main sub-divisions are to be found in our ranks:

Clerks, superintendents, under executives, "white-collar" workers.

Storekeepers and merchants (except merchant princes).

Professional people—doctors, lawyers, engineers, artists, writers, teachers, newspaper men, politicians, actors, musicians, etc.

In the first and third category fall most government employees, a tremendous group in itself, comprising over one million persons.

Some of us are very well-to-do indeed. Certain lawyers,

doctors, engineers, writers, idols of the silver screen—even a painter or two—make their $100,000 and more a year. If their investments are large, as is frequently the case, perhaps they belong more with the owner class than with the middle class. The great bulk of us receive far less than $5,000 a year; when we achieve $10,000 or so, we are beginning, in a pecuniary economy, to edge out of the middle class altogether. Indeed, in a pecuniary economy, the middle class should really connote those with incomes above the manual workers and less than the owners. If this classification were adopted, however, we would immediately drop two-thirds of our group into the ranks of labor. A locomotive engineer earns about $4,000 a year; a fully employed mason or plumber may earn $3,500. How many clerks, government employees, school-teachers, even storekeepers, can match these figures? Despite the theoretical incongruity, we shall stick to the occupational classification. It is one hardened by generations of use and wont.

One of the first things to note is that our class has been receiving a greater share of the national income in recent years.

Per Cent of Total Realized Income

	1913	*1926*
Agriculture	14%	10%
Mining	3	3
Manufacturing	21	21
Construction	4	4
Transportation and utilities	9	8
Banking	1	1
Merchandising	13	15
Government work	6	8

The last three items—banking, merchandising, and government work—are primarily middle-class occupations. (For every capitalist *banker*, there are scores of bank clerks.) In 1913, these three groups received 20 per cent of the national income; in 1926 the ratio had jumped to 24 per cent. At first blush, this looks encouraging for our prosperity. Unfortunately, no such conclusion is permissible. Our numbers are growing faster than those of the working class. White-collar jobs, particularly in distribution, have been on the increase for many years. While production costs are going down, distribution costs are going up. More and more people are being employed in the great American vocation of finding markets and shattering sales resistance. Mr. Julius Klein of the United States Department of Commerce computes a waste in distribution methods totaling 10 billions a year. He calls it the gravest issue now before the industrial community. His bill of charges includes excessive expenditures in sales promotion, disorderly marketing, careless procedure in retail trade, unsystematic warehousing, extravagant delivery service, ill-judged advertising, unwise installment methods. It requires a lot of man power injudiciously employed to waste 10 billion dollars.

In 1910, male clerks comprised 3.8 per cent of all males gainfully employed. In 1920 the ratio had climbed to 5.1 per cent. Female clerks increased from 17.6 per cent of all working females in 1914, to 26.2 per cent in 1926. (In the immediate future, however, the machine is threatening to do in the office what it has already done in the factory. A new automatic bookkeeper has just been placed on the market which relieves three bank clerks out of four of their jobs.)

The increase in white-collar work, furthermore, has been

zealously nourished not only by mounting costs of distribution, but by well-meaning mothers. How many thousands of women have scrimped and saved and worked their fingers to the bone in order that the boys might have advantages which their father never had? And how much of that devoted toil, under 1929 conditions, is love's labor lost? In many cities to-day a bank clerk earns about $30 a week. A plumber is getting $46. Perhaps one in a thousand of tellers will some day become a bank president. Plumbers have become bank directors; frequently they rise to the ownership of their own businesses.

> "The white-collar ideal is one of the most vicious things in our civilization. . . . If youth were informed concerning the disparity in the economic possibilities of jobs, they would cease to flood the white-collar fields. So far as actual opportunity for advancement goes, the man doing manual labor is much better off." [1]

Thus it is clear that while the gross income of our class has grown, so also have our numbers, thus seriously impairing any increase in our prosperity per capita. That we are not all becoming plutocrats is clearly shown by average annual income figures, in various groups:

Banking (per employee)	$2,179
Government service	1,585
Merchandising (per employee)	1,315
Clergymen	735
Teachers, county schools, Middle Atlantic states	870
Teachers, village schools	1,244
Teachers, high school, Middletown	1,575

[1] Professor Harry D. Kitson of Columbia.

Bank tellers, Middletown	1,800
Young clerks, department stores, Middletown	520
Seasoned clerks, department stores, Middletown	1,800
Male clerks, men's furnishings, Middletown	1,800
Mayor of Middletown	3,000
City Attorney of Middletown	3,000
City Judge of Middletown	2,100
Adding machine operators	1,069
File clerks	990
Routine typists	1,048
Telephone operators	1,107
All college salaries	2,958

From less than a thousand to three thousand dollars a year is about the way the salaries run for most of us, the country over. I profoundly doubt if we so-called brain workers average much more than $2,000—even including the $100,000 a year and up professional celebrities. As a class we will average below skilled manual labor, but somewhat above the average for the whole working class.

Professional workers

Consider the university professor. He is widely held to have the largest brain capacity in the whole group. He averages more income, to be sure, than the class averages. But it takes him, if he is lucky, about 14 years to become an associate professor at $4,000; and another 11 years to become a full professor at $7,000. One-third of the faculty of the University of California are now working throughout their summer vacations in order to balance their slender budgets. Many able scholars and scientists find it impossible to balance their budgets at all. They leave the university for business, and become corporation research men,

technical advisors, higher executives. They gain in income; business gains in profits, but the nation loses able and impartial scientists, and so one of its most priceless assets. Thus prosperity for the individual may become poverty for the cause of civilization.

To make matters worse, the professor, together with all the upper ranks of the middle class, is expected to keep his white collar spotlessly clean. He cannot stoop to celluloid; he has a position to maintain. The new standard of living addresses itself to him remorselessly. The car, home furnishings, the arts, clothing for the family, the proper neighborhood, the country club, entertaining—all must keep abreast of the Joneses. For this reason, James Truslow Adams believes that the professional man is *worse* off than he used to be. His income has not increased as fast as the new demands upon it—leaving a more slender margin than a generation ago, or even than a decade ago. He calls it "prosperity without peace of mind." To bring Mr. Adams into the world cost $100. To bring a baby into the same social stratum to-day costs $1,500. His family when he was a boy rented a dignified, spacious New York house for $1,200 a year. To-day one must pay that sum for a 11 x 14 room, with a folding wall-bed and a cooking shelf, in a "good" apartment house. Sunshine, air, quiet, spaciousness, dignity, privacy—where are they to be found in apartment living? One used to get them, together with food, clothing, and all other expenses, for $3,000 a year.

Shopkeepers

Consider the independent shopkeepers. They form a large section of our class. In the United States there are 750,000 of them doing a gross business of less than $25,000 a year. This is a very meager turnover upon which to support a store and a family. The store consumes, in mer-

chandise purchased and operating expenses, upwards of 90 per cent of it. In one recent survey, more than a third of the retailers in a large city were doing a total business of less than $7 a day!

Meanwhile in this era of prosperity small storekeepers are under pressure from four directions. Chain stores, department stores, mail order houses, and the automobile are all pushing them hard. Here again the motor car is in reverse. We saw how it had heaved up farmers' taxes. In this case it takes away the village storekeeper's trade by giving customers easy and rapid transportation to the nearest town, where stocks are larger, bargains more frequent. (Incidentally by creating the roadside stand industry the motor car has also taken away trade from established stores.)

Nor is this to be regarded solely as an internal shift of income within the class. What village storekeepers lose, town storekeepers gain. But suppose the town store is a unit in a chain? The man behind the chain store counter receives no benefit; he gets his thirty dollars a week or so. The profit goes to absentee stockholders and thus straight into the owner class. The same holds for mail order houses and department stores.

The growth in sales of the storekeeper's competitors is shown by the following index numbers:

	1919	*1927*
Shoe chains	100	151
Cigar chains	100	153
Drug chains	100	224
Candy chains	100	225
Five and ten chains	100	260
Grocery chains	100	387

Clothing chains	100	525
Department stores	100	136
Mail order houses	100	129

All have been moving upward faster than population; all have been taking an increasing share of the total volume of American retail trade—a trade which now aggregates about 40 billions a year.

The menace of the chain store to the independent retailer is undeniable, but it is probable that the effect has been somewhat overdramatized. Late reports (1929) inform us that the chains are locked in sanguinary competitive struggles among themselves—there are only so many prize locations on Main Street—with mounting overhead costs tending to absorb economies in large scale purchasing. Their selling talk is beginning to shift from "price" to "quality"; stressing not so much their cut rates as their beautiful goods. This is an ominous sign. In the second place competition from chains or department stores is not necessarily the inciting cause to the collapse of a given independent retailer. In a recent study of 500 grocery store failures it was found that

65 per cent were due to inexperience
17 per cent to character breakdown
17 per cent to fire, flood, robbery, sickness
And only 1.4 per cent to competition.

Mr. Henry Dennison in *Recent Economic Changes* believes that the independents will survive the chains, but he is not so sure about surviving the department store and the mail order house. Meanwhile they are, as a group, a depressed, harassed, unstable, and anything but prosperous body of men. Their big brothers the wholesalers have also had their difficulties. Chain stores and farmers' coöperative

marketing associations have cut heavily into the latter's business in recent years.

> The Busy Bee Bazaar and the Temple of Economy on Main Street are being displaced by brisk competing men's wear, women's wear, electrical, gift, leather-goods, and other specialty shops. A swarm of chain stores is pressing hard upon the small independent retailer. During a characteristic ten months' period in 1925, three Middletown clothing stores and one shoe store were taken over by selling agencies, and four new chains entered the city with one or more branches. Trade papers hammer away at the local retailer about "increasing turnover," while promotion men sent out by manufacturers' associations worry him at his civic club luncheons by telling him that his clerks "sell only 15 per cent of their time," and "salaries ought to be paid on a sliding scale based on individual sales."

One store, duly impressed, made a rule that a clerk should be discharged if he talked with a customer for three-quarters of an hour without making a sale. Out on the street went some of the older men.

Indeed the plight of the storekeeper is something like that of the farmer. He also carries on a very ancient vocation. He also is drawn to it because of the independence it offers; the freedom from domination by a boss. (In Middletown 85 per cent of the gainfully employed work for a boss, only 15 per cent are nominally independent.) His outlook, his traditions, his culture—in the anthropological sense—are also shattered by the new techniques of the current age. The farmer finds his chief difficulty in adapting to quantity production; the storekeeper to high pressure selling. Here-

tofore it has been his pleasure to give his customers what they came in and asked for. He is baffled and bewildered under the compulsion to make them buy what they do not want. Before the coming of mass production, the problem was to supply consumers with commodities; now it is to supply commodities with consumers. The machine, as Veblen has pointed out, is inordinately productive.

The implacable Joneses

Not only storekeepers, but all the middle class is bewildered by the new demands of finding a market for its services. We professional people are increasingly ill at ease. We have been habituated to the world coming to us, asking for the use of our brains, for the product of our technical skill.

Are we a doctor? Jazz up the office. Adopt a white smock, horn-rimmed glasses, and a battery of imposing therapeutic machines with plenty of nickel and white enamel. Edge into the split-fee racket. Professional ethics still exclude us from advertising as such, but there is more than one way to skin a hare. Are we a lawyer? Full page advertisements are also barred, but not front-page publicity. A judicious donation of our services in cases involving the public interest—by preference its sex interest—is the way to move up in the world. Are we an author? Ask me not the fearful wiles which publishers are privy to for the profitable exploitation of our hobbies, our extraordinary habits of work, our views on all known public questions, our taste in clothes, pipes, vintages and mistresses. Are we an accountant? Who knows when a broadside attack on reparations may not make good copy for an editorial? Are we an architect? There is always a chance for a picture in *House and Garden,* and with reasonable perseverance, the rotogravure section of the Sunday paper. Are we a parson? Subscribe

to a business service furnishing boiler plate mottos, cards and snappy signs for the church lawn.

It all comes under the head of window dressing, even as with the shopkeeper. The more up-and-coming among us frequently enjoy it, and augment our incomes to lordly proportions. But most of us are simply not built that way. We do it from time to time because we have to; but we loathe it. It is alien to our temperament; subversive and destructive to the professional way of life. Those with real integrity and honesty cannot do it at all. But alas, what the latter gain in self-respect, they frequently lose in earning power.

On the whole, I am not encouraged about the prosperity of my class—either material or spiritual. As clerks, our salaries are meager and we suffer from overproduction nursed by the wastes of distribution and by hard-working mothers with the white-collar complex. As merchants we have been carrying on an external and far from hopeful struggle with chain stores, department stores, mail order houses, and the automobile; and an internal disrupting struggle with our time-honored traditions as opposed to the new technique of high pressure salesmanship. And as professional men and women the internal struggle has been also sanguinary, while by and large our incomes have not increased as fast as the implacable Joneses demand.

CHAPTER IX

THE SHARE OF THE OWNERS

There are probably six times as many millionaires in the United States to-day as there were in 1914. For 1927, 283 persons paid taxes on annual incomes in excess of $1,000,000—10 of them on incomes in excess of $5,000,000. In 1924 only 75 persons were in the million-dollar income class. If we take $10,000 as roughly the gateway to the owner class, its numbers and its income (as reported to the government) stand as follows:

1927 Income Tax Returns

Income Class	*No. of Persons*	*Total Net Income*	*Average per Taxpayer*
$10,000 to $25,000 ...	250,455	$3,726,099,000	$14,900
$25,000 to $100,000 ..	82,334	3,571,123,000	43,400
$100,000 to $1,000,000	10,784	2,222,337,000	206,100
Over $1,000,000	283	586,256,000	2,071,600
Total wealthy	343,856	$10,105,815,000	$29,400
$5,000 to $10,000 ...	543,509	3,759,149,000	6,900
Under $5,000	3,234,877	8,708,354,000	2,700
Grand total reporting	4,122,242	$22,573,318,000	$5,500

Thus some 350,000 persons in the United States in 1927 had an income of $10,000 or more. Constituting one-half of one per cent of the adult population, they received over 10 billion dollars, or about 12 per cent of the national income in that year. The average annual income for the whole group is almost $30,000. In the ranks, however, are thousands of well-paid professional people whom we have already assigned to the middle class, in that they work rather than own for a living.

Stepping up to the $25,000 and higher income groups, we probably drain out the bulk of the professional workers. There remain some 93,000 individuals, mostly in the owning class, who receive not less than $25,000 a year, to a total of over 6 billions. (That lurid spot of light towards the summit is the Hollywood contingent.) Just over 11,000 Americans have $100,000 or more to spend a year, while 283 citizens at the upper reaches of the pyramid carry on as best they may with an average of a little more than $2,000,000 a year. The 10 at the very top have $88,995,242 to be disposed of among them.

Nor is the job of disposition as simple as it sounds. It is difficult to spend more than 25 per cent of such huge sums on estates, pearls, old masters and yachts each year. The great bulk has to be given away or reinvested. Here are the actual figures for three men with incomes of over a million.

	Per Cent of Income			
	Living Expenses	*Donations*	*Taxes* [1]	*Re-investments*
Crœsus A	4.8%	35.7%	39.4%	20.1%
Crœsus B	24.3	24.5	36.7	14.5
Crœsus C	12.6	19.2	29.7	38.5

[1] Budgets computed when excess profits taxes were higher than they are now.

In 1927 it was estimated at Washington that we were blessed with 15,000 millionaires. If we take all the persons reporting incomes of $50,000 or more as entitled to this dignity, we find just 33,527 individuals on the tax list. Perhaps half of them did not have a million dollars worth of property, but I doubt it. The estimate of 15,000 millionaires is probably conservative. I would guess there were at least 20,000 to-day. (Or were on October 1, 1929.)

A study made of million-dollar incomes in 1924 revealed the following sources of revenue:

Dividends	54.0%
Capital gains	26.6
Interest	5.8
Partnership profits	5.4
Rentals	2.4
Salaries	2.1
Miscellaneous	3.7
	100.0%

The great owners are thus above all else stock owners. Most of their capital gains are probably stock transactions. What they receive from rent and interest is insignificant in comparison. Only 2 per cent of all comes from personal effort as reflected in salaries.

While reviewing these government figures, it is interesting to note that only something over 4 million Americans submit any income tax reports at all, and in 1927, 1,600,000 of these paid no taxes because exemptions exceeded net income. As returns are expected when income reaches $2,500 for a married person, or $1,500 for a single person, these figures throw a powerful searchlight upon the phenomenon

of prosperity. Assuming 27 million heads of families, less than 10 per cent had income sufficient to warrant the preparation of a tax return with the expectation of making any payment. (Of course many ought to make returns who do not.)

The income taxes paid by the great luminaries in the upper registers reach astounding proportions. The following are *taxes,* not income—the latter must be three or four times as great. The figures are for 1924—the last year in which the Treasury Department was incautious enough to reveal names:

John D. Rockefeller, Jr.	$6,278,000
Henry Ford	2,609,000
Edsel Ford	2,158,000
Andrew W. Mellon	1,883,000
Payne Whitney	1,677,000
Edward S. Harkness	1,532,000
R. B. Mellon	1,181,000
Anna B. Harkness	1,062,000
Mrs. H. E. Dodge	993,000
F. W. Vanderbilt	793,000
George F. Baker	792,000
Thomas F. Ryan	792,000
Edward J. Berwind	722,000
Vincent Astor	643,000

No less than 312 persons are now carrying life insurance for a million or more, Mr. Pierre du Pont heading the list with $7,000,000 of policies. The billionaire has made his bow with the era of prosperity—his first appearance on any stage. Indeed the whole phenomenon of the modern American Crœsus puts one in mind of the skyline of New York. They have shot up like skyscrapers to fantastic heights.

They represent the ideal to which the good citizen aspires, even as the American building aspires to be a skyscraper. Their numbers are not great, but they throw colossal shadows, and set the tone for their whole environment. Foursquare and mighty they stand, the apex of the dominating pecuniary culture of the Republic.

Dr. I. C. Sherman of George Washington University has recently conducted a psychological study of hallucinations among 200 patients admitted to the Chicago Psychopathic Hospital. He reports that "grandiose delusions concerning money were twice as common in American born as in foreign born, the latter being more inclined to have hallucinations concerning professional or religious power." When we go crazy we become Mr. Rockefeller—while the European becomes Napoleon, or Beethoven, or St. Francis.

Nor do we always reserve our grandiosity for exercise in psychopathic hospitals. Here is a wealthy New Yorker wandering about London trying to find an acceptable barber. The quest is fruitless. He cables his favorite New York barber to take the next liner for England, and make it snappy. One thousand dollars for a hair cut. But Mr. William Kenny knew what he wanted, and got it. The typical American moral furthermore will be addressed to the barber. Let the young man wield the scissors so that he, too, may some day see the world by receiving cables from customers sojourning in foreign parts.

To An Exclusive Few
This announcement is directed.

A lofty triplex of 15 rooms designed for the discriminating person who desires a perfect and complete town house high up among the clouds. This unusual suite occupies the entire 30th, 31st, and 32nd topmost floors of

the Hotel Delmonico, New York's newest and smartest apartment hotel.

Rental: $45,000

The editors of the *Nation,* reprinting this advertisement, call for further information: Is the rental of $45,000 by the day or by the hour?

A lady of my acquaintance collects colonial furniture. Seeing a catalogue covering the sale of the Reifsnyder family heirlooms, she determined to attend the auction. A highboy, as described, particularly attracted her. She bid her modest hundreds, but quickly fell by the wayside. That piece of Chippendale mahogany, 8 feet tall and 45 inches wide, finally sold for a cool $44,000. An armchair brought $33,000; a carved Philadelphia wooden chest $26,000. This auction, like the Woolworth Building, holds the world's record for loftiness.

Are the rich getting richer?

Yes, some of us are very prosperous; indecently and devastatingly prosperous. Before we begin a full-fledged Marxian lamentation, however, we must call to mind again Mr. Copeland's figures. The rich, up to a few years ago at least, were not becoming relatively richer. In 1918 the top 10 per cent of the population took 33.1 per cent of the national income. In 1926, they took 32.9 per cent. While no national figures are available for the ensuing years, I suspect that with the booming stock market in 1928 and 1929, owners of large blocks of common shares had so improved their position, that up to October, 1929, the top 10 per cent was taking a relatively larger share of the nation's *principal,* if not of its income. Certain speculators meanwhile had made enormous profits. In their ranks were included, however, members of the middle class and even of the

working class. The latest recorded adventure of the Chicago racketeers is the bombing of a broker who was injudicious enough to ask his gun-toting customers for more margin!

We must remember also that higher stock market quotations do not necessarily mean larger incomes. The phenomenon is purely on paper unless and until one sells his shares. If one holds on, a fifty point gain to-day may be a fifty point loss to-morrow. The rich were probably relatively richer on paper than ever they were, but when the bottom fell out of the market, their proportion of the national wealth went zigzagging down with the ticker.

The owner class is the recipient of five major kinds of income:

Dividends
Entrepreneur's profits (including speculative gains)
Rents and royalties (mineral not literary)
Interest
Salaries

As we have seen, for the very rich the first is far and away the leading source. Years ago rent and interest bulked much larger relatively. The total amount of dividends, rents and interest and their percentage of the national income was, in 1925:

	Billions of Dollars	*Per Cent of Total National Income*
Rents and Royalties	10.6	12.9
Dividends	4.1	5.0
Interest	3.9	4.8
Total	18.6	22.7
Total National Income	81.8	100.0

Thus some 18 billions of dollars, aggregating a little less than a quarter of the national income, went to individual landlords, stockholders and bondholders. A part of this, furthermore, went to such members of the middle class and working class as own rentable property or hold stocks and bonds. It is not all owner class income by any means, though the bulk of it certainly accrues to the well-to-do. In this exhibit for the whole country, rent takes a wide precedence over dividends, while interest stands only slightly short of the latter. While those with incomes of over a million rely chiefly on dividends, ownership as a whole still draws its main subsistence from rent.

In the same year (1925), salaries totaled 15.0 billions, or about 18 per cent of the national income, while entrepreneurs' profits totaled 16.4 billions, or 20 per cent thereof. Unfortunately we cannot break down these items into shares by classes. But it is reasonable to suppose that the bulk of each went to classes other than the owner class. Most of the salaries are middle-class income; most of the entrepreneur (*i.e.,* non corporation) profits are shopkeeper, petty business man, and farmer income.

We cannot determine accordingly exactly what share of the national income the owner class receives. I would guess, for 1925, a total of 10 billions, or somewhere around 12 per cent of the national income. This is far less than the percentage claimed by the 10 richest Americans out of every hundred. But the owner class, as the income tax figures show, comprises less than one per cent of the adult population, and includes only about 90,000 persons—if we take incomes of $25,000 as the dividing line.

Still another way to appraise the share of the chief ornaments of the Republic is to take what Mr. Copeland calls "fixed money income." The Treasury Department, some-

what more bluntly, calls it "unearned income." It comprises all the nation's income which comes from ownership rather than work. The chief items are rents, interest and dividends. In 1913, fixed money income was 10.1 billions. In 1920 it had doubled to 20.2 billions; in 1926 it was up to 26.5 billions. Its ratio to total national income was 32.1 per cent in 1913; 30.8 per cent in 1920; 34.1 per cent in 1926. It seems to have been climbing since 1920—though 1926 showed a lower ratio than either 1924 or 1922. Only a fraction of this of course—though a large fraction—accrues to the owners.

Since 1920, the share of the national income which the landlord receives has dropped from 13.8 to 13.2 per cent. Interest in the same period has climbed from 4.0 to 4.9 per cent of the national income, and dividends from 4.2 to 5.3 per cent. Stockholders are gaining on bondholders and landlords.

The profits of corporations

Increasingly our owners derive their income, not from houses, lands, factories and mines which they individually hold, but from the stock which they own in corporations—the latter holding, according to a majestic legal fiction, the houses, lands and factories. What they receive in dividends accordingly is not quite the whole story. Only rarely does a corporation disgorge all its net profit in dividends. Reserves, often very large, are held back for safety, working capital, the "development of the business." Such reserves belong to the stockholders and ultimately will be paid to them in cash dividends, if all goes well. But at any given time, stockholders are always several laps behind their accrued real income. For this reason it will be well for us to look into the course of corporate profits in recent years. Such examination is necessary in order to complete our survey of the owners' share in prosperity.

Suppose we regard all American corporations as one great corporation. In 1926 the total net worth of this monster was 119.3 billions. (Net worth in the excess of assets over liabilities, and thus the measure of the investment of the stockholders.) The net profit for the year was 8.3 billions. But only 5.9 billions was paid out in dividends, leaving 2.4 billions, about a third of all the profit, to pile up in the reserve account. The ratio of net profit to net worth was just under 7 per cent. This is what actually accrued to stockholders. The ratio of dividends to investment was 5 per cent. This is what they received in cash. Thus a very tidy slice of the owners' real share did not appear upon the record at all. It had been laid aside for future distribution. In passing, the ratio of profit to investment, industry by industry, is not without interest.

Mining corporations	3.7%
Trading	6.3
Transportation and utilities	7.0
Banking	7.8
Manufacturing	7.9
Construction	11.0

Construction corporations are the most profitable of all. You will remember that labor in the construction industry had increased its wages faster than any other group. Here is a little lesson for us all. High wages and high profits are not necessarily mutually exclusive. Both can live comfortably in the same house.

Profitless prosperity

We have heard much in recent years about "profitless prosperity." It is not a fact and yet it is not altogether a myth. Wholesale prices have been slowly descending since 1922. "Sagging prices make it harder to conduct business

with profit because many of the expenses of an enterprise are fixed by long contracts or by understandings hard to alter." Concerns in the vanguard of technical progress have done handsomely. But the prices at which they could market their large output of goods with profit to themselves "have meant loss and even failure to less aggressive rivals." In 1919 and 1920, business failures averaged 7,700 a year. In the slump of 1921, bankruptcies jumped to 19,700. Commercial prosperity arrived in 1922. Yet the average of business failures per year from 1922 through 1927 was no less than 21,500. Mr. Mitchell believes that it is the medium-sized enterprises which have been the sufferers. Unable to go upon a quantity production basis, and unskilled in the technique of high pressure selling, these moderate-sized companies have constituted a soft stratum in the imposing corporate structure. The president of the National Association of Manufacturers recently remarked: "It is safe to say that a general average of 40 per cent of all the factories that are operating to-day are doing so at a loss."

The rambles of industry about the map have also caused considerable hardship to certain local enterprises.

Cotton manufacturing has been moving south.

The cotton growing belt has been moving west.

The wheat belt has been moving northwest.

Shoe manufacturing has been moving west.

Dairying and market gardening have been running all over the map.

City industries have been moving to the country—the "decentralization" phenomenon.

Trade increasingly concentrates in cities and towns at the expense of the village.

Making all due allowances, however, the corporate structure remains sufficiently imposing. Its shoulders loom higher every year. Part of the growth is caused by the conversion of private businesses into corporate form, but the bulk of it is tangible increase in earning power. Between 1923 and 1925, the profits of a group of 403 manufacturing and mining corporations increased 29 per cent. Between 1925 and 1928, the profits of a still larger group of 574 companies increased 27 per cent to a new high record. This makes a total gain of 64 per cent from 1923 to 1928.

For the first six months of 1929 there was a 10 per cent increase in output over the same period in 1928, and a 40 per cent increase in net earnings. Mr. Babson calculated business at 7 per cent above normal in August, 1929. "Many concerns," says the National City Bank, "have in 6 months made more profits than in the whole year of 1928."

"Profitless prosperity" is thus hardly the correct phrase. Profitless prosperity for a large number of medium-sized companies, and for certain industries, is admissible and true. But the corporate structure as a whole is doing very nicely, thank you. As it climbs upward the owners of corporate securities climb upward too. But whether they are gaining relatively to the rest of us only the National Bureau of Economic Research, when it completes its computations for 1929, can tell. I strongly suspect that they are, particularly when their accrued share in corporate profits, rather than their cash dividends is taken into consideration.

In summary

The owners constitute the upper reaches of the business class. They live in Middletown's "fine old places," and build the new villas with the six masters' bedrooms and the three-car garages. Prosperity has given many of them

more money than they know what to do with. Together with skilled labor they have been the chief beneficiaries of the current era. The middle class has progressed in earning power but there is reason to believe that its wants have progressed even faster, leaving a smaller margin of true leisure, security and satisfaction.Unskilled labor has found life a little less intolerable—but the picture of the factory worker coming home to his Middletown bungalow with its flies, its wet baby, and its scraps of food, refuses to fade. It is as true now as when the Lynds observed it in 1925. The farmers have either stood stock-still, or advanced their living standards only at the price of more indebtedness.

Above all else, the owners have entrenched themselves as the dictators of American life and habit. They have ousted the philosopher, teacher, statesman, editor and preacher, as the spiritual leaders of the mass of men. They dominate government, press, university, church, the arts. They sit secure on the apex of a pecuniary economy. To them men's eyes turn as once they turned to high altars, the man on horseback, and the porticoes of the Academy. The gods have taken up their quarters in the market place, an abode magnificent in gilt and marble, but hitherto untried....

CHAPTER X

CENTRAL FIRES

"Prosperity has really come to mean a rate of advance rather than a state of affairs." This observation by Mr. Henry Dennison is one of the profoundest ever made. At the bottom of every mechanical movement is a source of power—motor or prime mover. The engine at the bottom of the rate of advance in American productivity is the new science of management. It is management which has brought the motor car to blossom like the lilies of the field. It is management which is behind the whole mass production movement. It is management which is steadily stepping up output per worker, decreasing prime costs, flooding the country with new goods, displacing labor with the machine. This chapter will be devoted to an examination of management. We drop for the moment our appraisal of the shares of classes and of individuals in prosperity, to glance briefly at one of its central fires—perhaps *the* central fire.

First let us recapitulate the actual accomplishments of management. If the total physical production of the United States be taken as 100 in 1919, the gross output has grown since then as follows:

1919	100	1924	115
1920	104	1925	129
1921	79	1926	133
1922	104	1927	130
1923	122		

While population gained some 15 per cent in these 9 years, physical production gained 30 per cent. 1929 at last accounts was 10 per cent ahead of the same period in 1928. The curve has thus gone steadily up.

Still more significant is the output per worker. In manufacturing establishments the record runs:

1899	100	1923	133
1919	105	1924	133
1920	108	1925	145
1921	107	1926	149
1922	129	1927	150

Here the accomplishment of management in the era of prosperity comes out with dramatic sharpness. In the 22 years from 1899 to 1921, output per worker in factories only increased 7 per cent. In the following year the ratio gained four times as much as in previous two decades. By 1927, the index number had mounted to 150. The average factory worker in 1927 produced 40 per cent more by weight than he did in 1921.

The results by specific industries vary widely.

Output per Worker in 1925; 1899 = 100

Motor cars	1271.7	Food	133.0
Tobacco	291.0	Iron and steel	123.9
Non-ferrous metals	220.6	Textiles	120.2
Chemicals	214.6	Lumber	99.2
Paper	162.7	Leather	96.6
Stone and clay	158.1	Shipbuilding	68.7

Motor cars, tobacco, metals, chemicals, paper, cement—all have made great improvements, with the automobile, as usual, crowning the list by an enormous margin. (The motor car was of course in its infancy in 1899, which tends to swell the ratio disproportionately.) Food, steel, textiles, have moved more slowly. Lumber, leather and shipbuilding have actually lost ground—in 1925, output per worker was *less* than in 1899. If prosperity be a rate of advance, these last three industries have not been prosperous. The unevenness of the whole structure is again forcibly demonstrated.

A more detailed examination of the motor car industry by index numbers reveals the following:

	1914	*1919*	*1925*
Physical production	100	353	988
Man hours	100	250	319
Output per worker	100	141	310
Wages	100	468	510
Primary power	100	270	485
Unit cost per car	100	149	69

Here we have beautifully illustrated the basic formula for the new science of management:

1. A great increase in volume of output
2. A lesser increase in man hours
   resulting in
3. A sharp increase in output per worker
   induced by
4. Higher wages
   and
5. More power and machinery
   with the happy ending of
6. A lower unit cost

Since 1914, despite a 500 per cent increase in the total wage bill, a better car goes skidding off the assembly line at 31 per cent less cost.

The same technique has been applied with significant results in the manufacture of rubber tires, in petroleum refining (we now get twice as many gallons of gasoline out of a barrel of petroleum as in 1914), in cement manufacturing, and in various processes in the making of steel. But in flour milling, meat packing, sugar refining, the tanning of leather, the manufacture of boots and shoes, no such advances can be recorded. The Department of Agriculture estimates a 15 per cent increase in the output of the average farm worker over 1921. The phenomenal increases in productivity have come in relatively few industries. The new science of management is thus far from having universal application. American industries are not all speeding as though their shirts were on fire, but only a favored group—primarily those catering to the new standard of living.

Plant management

"Mr. Jones is in conference." The funny papers have all but exhausted this phrase as a subject for satire. It is a phrase that is ragged with gibes, and almost as tawdry through hard usage as the office boy, the ball game, and the grandmother's funeral. Yet for all the pellets of mud, it is a phrase of the utmost importance to our inquiry. Conferences have taken the place of the Big Boss in the plants where the productivity figures are shooting upward. The trend is away from the one man show. *Leaders* are the fashion, rather than little Cæsars; men who can cooperate with and lead groups, rather than domineering autocrats.

The various activities of an up-to-date factory are being

functionalized into departments, each with a committee in control. In a small plant one finds normally four committees:

General
Quality
Scheduling
Purchase control

In a plant employing 500 to 1,000 workers, we note, in addition, a

Cost committee
Budget committee
Estimate committee
Finance committee

In plants employing 1,000 to 5,000 workers, there will be 23 committees; in plants above 10,000, 32 committees, together with a research staff, perhaps a laboratory, and a counsel on public relations. "Handling functional and research specialists has brought into prominence a technique of consultation, persuasion and inspiration, as against a technique of order giving." A big establishment to-day needs more brains at the top than any one head will hold. The organization pyramid no longer leads to Napoleon, but to a general staff—it has become rounded at the apex.

These conclusions come from an exhaustive study by Mr. Dennison in *Recent Economic Changes,* and are based on the performance of 100 companies. It is not without significance, however, that only 20 per cent of the officials interviewed regarded the bettering of the skill and morale of their employees as an aim in progress, while 80 per cent concentrated on bigger buildings and faster machines. The

human aspect is not as yet a leading aspect of the new science of management, but we are glad to hear it is gaining.

Surprisingly enough it was the excess profits tax which gave the whole movement its initial start. Arm in arm with advertising, research received a heavy endowment during the War, and the years immediately following. Corporations loath to give their profits over to the government, looked about for expense accounts which might be loaded with more benefit to the company. Advertising and research were selected. The outlays for both were enormously expanded. The former helped to mass consumers behind the product; the latter helped to cut down unit production costs. Chemists, physicists, engineers were put upon the payroll; laboratories were erected. With the advent of the scientists, planning, the control of materials, hiring, firing and personnel problems, sales promotion, styling, quality standards—all were placed upon a plane of analysis and quantitative measurement, rather than the hitherto prevailing procedure of trial and error and hunch.

Of 599 large corporations recently studied, 59 per cent carried on research and testing work, at an average outlay of $58,000 a year. In these laboratories new products are developed, old products are improved, manufacturing costs are reduced, methods for utilizing by-products are worked out. In 1909 it took 3.20 pounds of coal to produce a kilowatt hour of power. By 1928 the laboratory men had reduced it to 7.76 pounds—cutting coal consumpton almost in half—an amazing performance.

Along about 1922, trade associations began to assume real significance. They brought together the different establishments in a given industry, induced them to pool information and to share the trade secrets which hitherto

the Big Boss had kept in the safe until he died. They came together primarily because they wished to boom their industry as against competitive industries (lumber against bricks; candy against cigarettes); to secure as much as possible of the consumer's strangely limited dollar—but the purpose is secondary to our discussion. Having made common cause, they told one another (often in their trade publications) how to cut the cost of production; how the new automatic lathe was giving 20 per cent more output at 20 per cent less cost. In 1926, the Department of Commerce listed no less than 9,000 trade associations—6,500 local, 1,100 state, 1,200 national. They did much to strengthen management.

Where do those who sit "in conference" come from? Many come from outside, but the majority still rise from the ranks. More college men are being utilized than ever before. As why should they not? The holders of A.B. degrees at graduation increased from 38,500 in 1920 to 71,500 in 1926; professional degree holders from 8,000 to 20,000, graduate school degree holders from 4,850 to 11,450. The prejudice against the college man is slowly waning. It was the Big Boss, you will remember, who prided himself on his undergraduate days in the University of Hard Knocks. Conferences, committees and college men are substituting brains for ukases, and the result stands upon the productivity figures which we have been examining. Hand-to-mouth buying has made hand-to-mouth thinking impossible.

A group of 35 companies studied by Mr. Dennison show an increase in output per man of 74 per cent since 1919. Incidentally about one-half of the companies examined have a bonus system for executives. This helps to keep

wits sharpened. Ten specific things have combined to increase output in these 35 plants:

1. New machines
2. Serialization of machines
3. Production planning and control
4. More rigid specifications
5. Changes in wage payment methods
6. Better relations with workers
7. Shorter learning periods
8. A reduced labor turnover
9. Simplification of product
10. Standardization of parts.

Machines to replace hand labor; machines placed in rows for rapid feeding and so coördinated into a great super-machine; better wages and sanitary conditions; simplification of parts; teaching in a few days what used to take months—all have operated to increased output, lower costs.

There is—in these well-managed companies—less horse trading and more coöperation between the buyer and seller of raw materials and supplies. The drift is away from the time-honored notion that placing an order confers a personal favor. Mass production demands uniform and dependable raw materials. Adjustments by hand fitting go out of the picture. Standards and specifications become the order of the day.... Standard raw materials to create standard, interchangeable parts, to be assembled by automatic control into a standard vacuum cleaner or harvesting machine. "In some goods this machine age is giving us better and more dependable quality than was possible in the age of handicraft." Perfectly true. Where is the craftsman who could make as good an automobile as the machine

can make? . . . But in establishments where *style* is an important factor, the process cannot come to full fruition. To change from Model T to Model A, cost Henry Ford a cool 100 million dollars. Most manufacturers have not the 100 million handy.

Standardization is capable of making enormous reductions in industrial costs but its progress is slow because of the everlasting rumpus in the sales department. These gentlemen are forever urging new styles, special features, annual models—something to which to tie their copy and their sales appeal. The laboratory men grumble, but they know their master's voice. For instance: just as costs on bed linen had been brought down to negotiable proportions in a certain plant, some enthusiast in the sales department invented the idea of purple sheets—thus upsetting the whole cost structure. Piles of blueprints had to be scrapped. Indeed the engineer and the salesman are locked in perpetual warfare. Management, glancing nervously from one department to the other, is all too frequently in danger of becoming cross-eyed.

Mr. Dennison could find no single impelling force which drove management to its recent rapid technical progress, "though well up in the list stands the influence of higher wages." *Many technical advances have been made because American wages are relatively high.* Here are 10 high-priced men producing 100 units. Why not a machine with fixed charges equal to 5 high-priced men, manned by 2 high-priced men, to do the same job, at a 30 per cent saving in cost? In goes the machine, out go 8 men—though 5 of them, somewhere, somehow, must build and service the new machine. Only three jobs are really lost in the last analysis. This story has been repeated over and over again. In comes the machine, out go the men, down comes the cost.

Once the machine is designed and installed and the technique in full swing, it spreads into other processes, and other factories—where the initial impulse to outwit high wages may be altogether lacking. It becomes an integral part of the "technical arts," and available for anybody's use if he has the mind to appreciate it, and the credit to finance it. In a sense, then, high wages have been a spur to American managers, causing them to lower costs by substituting machines for men. In a sense also, high wages have stimulated "technological unemployment." . . . But of this more in the next chapter.

In 1902, American industry employed 3 million horsepower. By 1930, there will be 30 million. This shows the rate at which the machine is marching. Standard gauges in actual use are now accurate to three-millionths of an inch. This shows the fineness to which it works. The first power lathe, built in 1800, could be lifted up and carried around by a man. The largest boring mill in the United States can now gnaw a hole 60 feet in diameter through solid steel. This shows the size to which it grows.

Not only high wages but man shortage has played a part. With the slackening of immigration and the crude labor supply, management was forced to devise machines for handling materials—work formerly done by the muscles and backs of hunkies. Behold these new monsters: belt conveyors, locomotive cranes, spiral chutes, tier lift trucks, overhead carriers, bucket conveyors, truck tractors, gravity chutes. Here management not only cuts costs, but takes a long step towards abolishing the curse of Adam.

Increasingly machines are run by electric motors rather than by a tangle of belts. Since 1919, steam engines in factories have declined. In their place has come electric power crackling from central stations. The power runs the

motors; the motors run the looms and lathes. In 1899, only 5 per cent of machines were driven by motors, in 1919, 55 per cent; in 1927, 78 per cent. The actual power generated by electric motors in industry has more than doubled since 1919. In a few more years at this rate the factory steam engine will be extinct. Nor need we weep. All this makes for a more mobile and adjustable industrial system. It enables factories to move away from big cities and settle in the country—power coming to them over the hills in great transmission lines. It makes for less noise, confusion, and accidents. One of the outstanding achievements of management is this furthering of the decentralization movement.

Here is the American Steel and Wire Company in Worcester, Mass. In 1920 it took 6,000 men to produce as much as 4,500 men are now producing. Part of this is due to mechanization, part to more intelligent handling of men. At one plant it was necessary, in 1920, to hire 2,231 men in order to maintain a working force of 2,500. (This might be called the "three shift system"—one shift coming, one shift going, one shift on the job.) In 1928 only 382 men were hired to maintain a force of 2,000. Labor turnover was cut from 90 to 10 per cent. In 1920, 150 employees were always absent on the average; in 1928 only 25. The new science of management is concerned not only with labor-saving machinery, but with labor-saving personnel, bonus, planning, routing, purchasing, lighting, ventilating, noise prevention, accident prevention, fatigue lessening—and many other devices. In brief, brains instead of slave driving.

Lest we receive too bright a picture, remember again that management as a genuine science is not universal throughout industry. The planning charts are only in operation here and there. To function at its best it needs a prod-

uct capable of mass production. Most articles are not now fabricated by mass production, and thousands never can be. High productivity furthermore is sometimes due as much to nature as to management. In Minnesota iron lies close to the surface and can be scooped out with great steam shovels. The output per miner is four times as great as in Lorraine. Hurray for American progress! Stop a moment. In Alabama, where iron lies deep, the output per miner is *less* than in Lorraine. The United States holds no monopoly on efficiency. Much of her stupendous productivity is due to her stupendous natural resources. Unfortunately they will not last forever.

Mergers

We have been discussing chiefly the work of the manager as plant engineer. There is also his function as creator of mergers and consolidations. Here he becomes more banker than engineer. Increases in productivity are due in part to mergers, and no discussion of prosperity would be complete without some consideration of this amazing development.

Newspapers describe mergers in terms of money. The X Company combines with the Y and Z Companies to a total capitalization of a billion. This is altogether proper when banks or finance companies merge, but it gives an inadequate if not misleading picture for industrial concerns. When three steel companies merge, the result is not a new mill thrice as big. It is the same old mills run by one group of "conferences" instead of several—with the consequent saving in overhead. In many cases, indeed, it may mean *fewer* mills than before the merger. The high cost plants are often closed down, and the low cost plants are run nearer to capacity; again with a saving in overhead. Mergers mean bigger balance sheets, but not necessarily bigger

buildings, or payrolls, or coal consumption. Better machines may be installed, technical improvements may be made, but the final result is in the direction of fewer workers, fewer salesmen, fewer executives.

If we take one plant—rather than one corporation, merged or celibate—as a unit, we find that American manufacturing establishments have not been growing very fast —contrary to the popular impression. Here are the figures:

	Wage Earners per Establishment		*Horsepower per Establishment*
	Number of Workers	*Index Number*	*Index Number*
1914	39.0	100	100
1919	42.1	108	109
1921	35.5	91	...
1923	44.8	115	134
1925	44.7	115	151
1927	43.5	112	163

In 1914, the typical American plant had 39 workers; in 1927 only 43.5, a gain of about 10 per cent. Strangely enough the average was slightly less in 1927 than in 1923. According to these figures plants are growing smaller! The answer is that machinery is displacing workers, as the horsepower index clearly shows. As a matter of fact big plants are increasing, but the little plants refuse to disappear. Motors replace man-power in both, with the result that the average moves but slightly.

There are an amazing number of these little plants. In 1914 there were 54,000 plants employing from 6 to 20 workers; in 1923, 55,000. In the latter year we find 25,000 plants of from 21 to 50 workers. The really big plants of over 1,000 workers numbered only 963 in 1923 as against 648 in

1914, and 1,021 in 1919—the latter an aftermath of the War. For every plant of over 1,000 workers in the United States there are one hundred smaller plants, the bulk of them with less than a score of workers. But the plants of 250 workers or over—4 per cent of all plants, employ 4,500,000 workers, a figure representing more than half of all factory employees. The greatest size growth is found in factories producing aircraft, corn products, asbestos, automobiles, pens, washing machines, optical goods, musical instruments, roofing, baking powder, printing materials and fire extinguishers. Shrinkages are to be found in phonographs, whips, grindstones, engraving, corsets, carriage materials, feathers, watch cases, condensed milk, wooden goods—most of which have suffered from loss of markets as the standard of living has shifted.

So much for the size of American factories. Into this rambling and discursive scene steps the merger movement. It grasps the larger plants but does not necessarily increase their size. A study of 16,000 newspaper clippings in *Recent Economic Changes* reveals the following:

Mergers in Manufacturing and Mining

	Number of Mergers	*Number of Concerns Merged*
1919	89	527
1920	173	933
1922	67	376
1924	95	463
1926	139	995
1928	201	1,259

Mergers had a boom in 1920, fell back in 1922, and now are booming again. In 1919 there were 80 bank mergers; in 1927, 259. In the 1920 boom, oil mergers were very popu-

lar. To-day, public utilities lead the procession. In 1928, textiles and chemicals were all the rage. Throughout the period of prosperity, iron, steel and machinery mergers have been bullish. The trend is clearly upward, and the movement, despite its fashionable favorites, is general throughout the economic structure. "In union there is strength" has been accepted as a motto of management.

It is too early to tell where the merger movement will finally end. In many cases it has promoted efficiency and productivity. The old trusts of the 'nineties, which cowered before Roosevelt's big stick, had their eye on monopoly, restriction of output, high prices and promoters' profits. The modern merger is more intent on the reduction of overhead, technical improvements, large volume at prices which the consumer can absorb—and therefore a less sinister octopus. It is as faddy as cross-word puzzles at the present time, and so likely to come some fearful croppers in fields where a merger is not economically sound.

Five huge consolidations now control (1929) 56.4 per cent of the nation's electric power; 17 companies control 85.8 per cent. There is thus a very distinct danger of monopoly in a service only second to the food supply in public importance. It would be a great mistake to suppose that the evil of monopoly has been completely exorcised.

Lastly, while a merger may not mean larger unit plants, the psychology of size frequently encourages larger plants. Here we strike another danger. The Federal Trade Commission, studying bakeries, found that medium-sized establishments had lower costs than either large or small bakeries. Indeed, as the size mounted above this optimum line, so did costs. In blast furnaces it has been found that medium-sized stacks are the most efficient. The same principle holds in flour milling and petroleum refining. There

seems to be a law covering size and maximum technical efficiency for all industries. It is probable that many mergers are violating it.

Between 1919 and 1925, the 25 largest cities of the country lost 327,000 wage earners—12 per cent of all. In the same period rural districts gained 55,000 wage earners. Cities between 100,000 and 250,000 lost 14 per cent of their labor force. Factories in large cities are actually decreasing in size—measured in wage earners per establishment—while rural factories are growing.

"One industry" towns are beginning to break down. Fall River as a cotton center, Haverhill as women's shoe center, Akron as a tire center, Troy as a collar center, Paterson as a silk center—are losing their sometime prominence. Even Chicago—hog butcher of the world—has lost half its relative share of the meat packing business of the country in the last generation.

The above facts make it plain that manufacturing is *leveling out through the country*. This is as painful as having a tooth out for the several communities involved, but in the end promises a far more healthy industrial structure. It means less local dependence, less violent depressions, less congestion, fewer bottle necks—all leading to more efficient production. "The day of diversification has come. It should be a happier one for many communities." To which we can only cry amen.

We have indeed opened a door and looked into a red-hot fire box. American management has achieved stupendous gains during the era of business prosperity. Output per worker has been strikingly increased in many industries. Manufacturing costs have declined. Waste products have been reclaimed. Machines yoked tier on tier have deluged the country with new goods and drastically changed living

standards. Laboratories, statisticians, research advisors, "conferences," have displaced the Big Boss in plant after plant, and so substituted intelligence and the scientific method for Cæsarism. Even the "economy of high wages" has become an accepted principle of the new science, and upset a dogma as old as the factory system. (The Egyptians, you remember, had factories.) Management, in the quest for lower overhead costs, has enormously stimulated the merger movement—quite possibly over-stimulated it in certain directions. Management is moving factories out of the city into the country; breaking down the one industry town—tending to spread manufacturing more evenly over the map.

If prosperity be a rate of advance rather than a state of affairs, it has been more than achieved—with management furnishing the boiler pressure. But if prosperity be peace, security and happiness, we remember that only 20 managers, out of every 100 interviewed, gave a thought to the human side of production. This omission we shall examine with some care in the next two chapters.

CHAPTER XI

THE IRON BOUNCER

"Any one who really wants a job can find one." This classic phrase, mellowed by a century of usage, provides us with an excellent example of what the sociologists call "cultural lag." A cultural lag is something that used to be true for one day and age, and which still persists in the language, though the circumstances which made it true have disappeared.

In a culture where the machine and the factory system were unknown, it was quite correct to hold that any one who wanted a job could find one. About a farm there is always work to be done—if not on somebody else's land, then grow your own corn, hew your own beams, and feed and house yourself. The American pioneer tradition provided more than enough work to go around. Thoughtless people still use pioneering language when discussing unemployment. It was true 100 years ago. To-day, throughout industrialized America, it is utterly untrue. When the factory with its specialized tasks called the cottagers from their self-sustaining fields and farms, a steady job ceased to be the common heritage, open to all who were willing to work, and became an elusive and uncertain quantity, available

when the factory was running, gone when the factory was closed. As factories are forever slowing down and closing —even in the best of times—it follows, as night the day, that jobs are forever disappearing. In another trade, in another town, a new factory may be starting up, but Nature has provided the discharged worker with no instinct telling him in what trade or in what town the new job is to be found. Even if he had such a sixth sense, there is no certainty that he knows the trade, or has the carfare.

After mechanized warfare, the bitterest thing in modern life is unemployment. Wars come and go. Unemployment goes on forever. In the depression of 1921, some 5 millions were walking the streets as factories and offices slowed down. In the spring of 1928, with business prosperity in full cry, it was estimated that 4 millions were out of work. To-day (September, 1929) with production roaring at its maximum, there are at least 2 million jobless, and quite possibly 3 million. A recent census of New York working class families showed 17 per cent without jobs at the time of the investigation. Seventeen per cent of 30 million non-farm workers is 5 million. This is obviously too high for a national average, but 10 per cent out of work to-day may lie well within the facts.

The new science of management has cut down labor turnover, and thus unemployment, in certain individual plants. It has done nothing whatever about unemployment as a national problem. Nothing, that is, in a helpful sense. Its only contribution to date has been in the negative direction; to make unemployment worse. A new phrase has appeared in the jargon of economics, "technological unemployment." It means two things, one as old as the steam engine, the other hitherto unheard of. Machines, or the technical arts, have continually thrown men out of work,

by substituting iron hands for those of flesh and blood. Hand weavers, spinners, metal workers, potters, have lost their jobs by the millions during the course of the industrial revolution. But after a sufficiently painful period of adjustment, new jobs have been created in tending and servicing the machines, or in finding markets for their wares. We saw earlier how the motor car had created nearly four million new jobs in America alone. In brief, unemployment due to the machine, while always an evil, has not added constantly to the reserve army of the unemployed. There have been seasonal and cyclical fluctuations, but no net increase of firing over hiring.

"Technological unemployment," as the phrase is now used, *means an ever growing army;* a total firing rate greater than a total hiring rate; a displacement of workers by the technical arts *faster* than they can be reabsorbed in other occupations. Management fosters the technical arts; management is accordingly the chief creator of technological unemployment. Thus the central fire of productivity and commercial prosperity promises to wreck and destroy the hope, the happiness, the very lives of uncounted human beings, in an ever widening arc.

I speak bitterly. Have you ever hunted a job when your bread depended upon it; hunted it in the face of the age limits which are creeping down on all workers over 35? Listen to the testimony of Middletown in the fall months of a prosperous year.

Workers' wives are speaking:

He can't tell when he'll be laid off. One day he comes home thinking the work is over and then the next day he believes it will last a few weeks longer.

He's just lucky if this job keeps up. He never knows from day to day whether his job will be there.

He's to be laid off Saturday.

I know people that have been out of work since June, and they're almost crazy.

We had been saving to buy a home but lost all our savings paying rent when he was laid off.

We lost both our auto and our house.

We have cut down all we can on food, and the 'phone is the next thing to go. I am not strong enough to wash as I used to when he was laid off. He hates to see the 'phone go. It's the only way we hear from the children.

Now they have a new man in the grocery and we're afraid he won't allow us to charge things so long. We had a $60 grocery bill when he went back to work last time.

We have been buying no fresh milk this year, using only canned milk. (With two boys seven and nine.)

He is forty and in about ten years from now will be on the shelf. A pattern maker isn't much wanted after forty-five. They always put in the young men. What will we do? Well, that is just what I don't know; we are not saving a penny.

He often wonders what he'll do when he gets a little

older. He hopes and prays they'll get the state old-age pension through pretty soon.

A plant superintendent is speaking:

The age dead line is creeping down on those men—I'd say that by forty-five they are through.

Another:

Only about 25 per cent of our workers are over 40—speed and specialization tend to bring us younger men.

Of 122 Middletown housewives interviewed, 83 reported unemployment in the preceding months. Sixty-eight were forced to make changes in living standards. Among them:

47 cut on clothing
43 cut on food
27 wives went to work
14 allowed insurance payments to lapse
6 moved to cheaper houses
5 had the telephone removed
4 took a child from high school

And so on. Page after page of testimony from Middletown, the average city; volume after volume of testimony from all America—yea, library after library, had one the patience to collect it, and the heart to edit it.

Some economists doubt the fact of technological unemployment in the sense of an ever greater reserve army. Perhaps it is too soon to be absolutely sure of the curve, but the trend is certainly in that direction. Mr. Wesley C. Mitchell has compiled certain figures which are sufficiently indicative of the trend—and sufficiently alarming. His computations are exhaustive and technical, dealing with

the new labor supply since 1920, and the new jobs available, all reduced to net changes. He concludes flatly: *"The supply of new jobs has not been equal to the number of new workers plus the old workers displaced. Hence there has been a net increase of unemployment between 1920 and 1927, which exceeds 650,000 people."*

Total urban wage earners, together with a minimum estimate of the number unemployed, year by year during prosperity are shown in the following table. Mr. Mitchell is careful to point out that the figures are *minimum*, and not very accurate at the best. The United States has no comprehensive figures covering unemployment, hence all these national totals must be arrived at by sampling and estimating.

Year	*Urban Wage and Salary Workers*	*Minimum Unemployed*	*Per Cent*
1920	27,558,000	1,401,000	5.1
1921	27,989,000	4,270,000	15.3
1922	28,505,000	3,441,000	12.1
1923	29,293,000	1,532,000	5.2
1924	30,234,000	2,315,000	7.7
1925	30,941,000	1,775,000	5.7
1926	31,808,000	1,669,000	5.2
1927	32,695,000	2,055,000	6.3

The average for the 8 years is 7.7 per cent, or at least one worker out of 13 always unemployed. Who in the face of these figures dares to say that any one who really wants a job can find it? Twelve chairs are full; the thirteenth is always empty. The census of 1930 may give us the first real count of the unemployed which the nation has ever had. My guess is that the estimate of one in 13 will give

way to one substantially more serious, and for two reasons: first, the period from 1927 to 1930 gives technological unemployment *three more years* to accumulate its reserves; secondly, Mr. Mitchell's figures as we have seen are minimum estimates only. The actual count is sure to be larger.

Management has another ugly aspect of the same problem on its hands. As we saw in the last chapter it is promoting mergers, mass production, and larger plants. Mr. King gives us some sad figures on cyclical fluctuations in employment, in large and small establishments.

Employees per Establishment	*Millions of Man Hours*		
	Peak	*Trough*	*Per Cent Decline*
1-20	901	827	8.21
20-100	1171	946	19.21
Over 100	5327	3273	38.56

Thus the bigger the plant, the harder it is hit by a depression, and the greater the *relative* number of workers dismissed. The little plant with a personal relationship and a limited local market keeps Tom and Jerry on the payroll. Its work slackens only 8 per cent. The big impersonal plants in the depression of 1921 lost 39 per cent of their man hours, and their employees—each with a number rather than a name, got their time by the thousands.

And again. Management encourages mass production. A basic principle of mass production—particularly stressed by Mr. Ford—is a shorter period in which to learn the job. A craft apprentice took years to master his vocation; a worker on "the belt" can be taught all he needs to know in a few days. Other things being equal the mass production plant, and especially the new one, will hire strong, healthy youngsters. Skill being at a discount, stamina takes its place. Jobs for the skilled artisans, particularly

the older men, shrink in such establishments. Unemployment looms for those with the least ability to face it; for those who have the maximum of responsibility—wife, children, home—upon their shoulders.

Mergers are throwing clerks, salesmen, and even high executives out of work. Such constitute the "overhead" which the merger is chiefly organized to save. Again the older man is the worst sufferer. A Hollywood producer reports that the "talkies" have cost 25,000 movie extras their jobs; while they threaten the employment of 10,000 theater musicians throughout the country as well. Thousands of tobacco workers are now being displaced by machinery, according to Mr. Harry Laidler. More than $50,000,000 of retail merchandise will be sold by automatic vending machines in 1929. Out on the street go the some-time human salesmen displaced by mechanical robots. The number of such machines increased 328 per cent from 1919 to 1927. Here is the new foundry of the Buick Motor Company. Great machines have all but eliminated common labor. . . . "Manufacture, assembly, baking, the charging and discharging of the 6 96-inch cupolas, the pouring of molten metal, and the cooling, cleaning and finishing of castings, all rely upon machinery to an extent heretofore unknown." And here is a "business brain" invented by a young Norwegian. It simultaneously accomplishes the work of cash register, bookkeeping and adding machine. In one bank it dispenses with the work of 59 of 67 employees. . . . The testimony on the achievements of the iron bouncer is literally unending. I could quote it indefinitely.

In conclusion, let us take a concrete case reported in *Recent Economic Changes*. It shows what actually happens to a group of men who lose their jobs—a curtain be-

hind which we are rarely given the opportunity to look. The survey deals with 370 cutters once in the employ of Hart Schaffner and Marx, and subsequently discharged. On July 1, 1928:

74 were still in the men's clothing business as cutters but with a different employer
54 were salesmen
41 were chauffeurs and truck drivers
26 were in retail stores
24 were skilled workers in other trades
24 were real estate and insurance agents
24 were looking for work
17 were small tailors
16 were factory workers
15 were janitors
10 were politicians
8 were dead
8 were day laborers
7 were professional men
5 had retired from active work
5 were clerks
5 were bootleggers
4 were sick and incapacitated
2 were firemen, and
1 was a farmer

What a volume of short stories lies back of these laconic numerals. . . . Or a novel like *The Wave,* with an account of how each of the cutters lost his job, how he tramped the streets, hoped and despaired, failed and succeeded, and in the end became policeman, bootlegger, politician, truck driver, realtor; or still walked the streets; or fell ill; or died. And what proportion of these cutters, I wonder, could

look the investigator in the eye, and report prosperity?

Another recent study covers 754 discharged workers. At the end of 3 months, 44 per cent had found new work. At the end of 6 months, 76 per cent had found new work. At the end of a year, 98 per cent found new work.

After 3 months of searching less than half of the group had found a job. At the end of 6 months one in four remained without work. At the end of a year, 15 men were still tramping the streets. Thus even if technological unemployment is not a fact in the sense of a growing reserve army, consider its implications in the sheer human waste and misery of the months which elapse between the losing of one job and the finding of another.

A Middletown business class wife is speaking:

> People come to the house a great deal and tell me they can't get work. Of course, I don't really believe that. I believe that any one who really tries can get work of some kind.

Shall we ask her to wait until her husband is caught as excess overhead in a merger? This little experience might cure her cultural lag.

Prosperity and its hand maiden the machine are inordinately productive. Month by month they drive another handful of spikes in the shoes of the iron bouncer.

CHAPTER XII

THE MODERN TEMPO

The new science of management increases productivity and reduces jobs. Millions of jobs, however, remain. In 1920, there were 11,200,000 factory workers, in 1927, 10,600,000; the decline is steady but slow. Are those who remain in the shop working harder; are they under more physical and nervous strain than a decade ago; is management achieving greater productivity at a greater human cost? In brief, are we growing at once materially richer and nervously poorer?

There is no comprehensive answer to this question. The basic studies have never been made. Many believe that speed and strain in industry are constantly increasing. Others hold that they grow less severe. Both sides, of course, are right for uncounted individual cases. Taking the situation as a whole the demonstrable facts seem to be these:

1. Hours of labor are declining.

2. The total number of Americans subjected to factory discipline is declining by virtue of fewer factory jobs.

3. The life-span of the whole population is growing longer.

4. The life-span of the industrial worker is consistently less than for the farmer, merchant, or clerk.

5. Plants with high productivity have a lower accident rate than in old-fashioned plants.

6. Working conditions in factories are improving—including ventilation, lighting, noise, dust prevention, mechanical safeguards, sanitation.

7. Automatic and semi-automatic machines are displacing machine tenders, and putting skilled inspectors and repair men in their places. For certain processes only. This makes for a decline in human robots.

8. Assembly belts and other conveyors, on the contrary, are tending to set a working pace which outrages the nervous system of many workers.

9. Some industries are testing their workers for adaptability to the job before hiring them. Some are measuring fatigue in an attempt to prevent fatigue toxins from lowering output. Both movements are small, but are growing.

10. Management has created many new so-called unskilled jobs which nevertheless "carry with them a high interest content and greater opportunity for self-respect than most unskilled jobs of former days."

At first blush these ten points make out a stronger case for a reduction in industrial strain, than for its increment. Let us examine them a little more closely.

Since 1914, the average actual hours worked per week have declined as follows:

1914	51.4
1920	48.7
1923	49.2
1926	48.2

Up to 1928, Mr. Wolman calculates that no less than 5 hours of labor have been stricken from the average week in industry as against 1914. The demand for the 5-day week has gathered in the last year or two, and now over 500,000 workers come under its provisions. Increasingly city shops and offices are closing their doors on summer Saturdays. Vacations on pay are becoming more general, while their duration is longer. (But American industry has far to go to match the Russian worker's minimum two weeks. In the more fatiguing industries, four weeks.)

It is fair to conclude that if strain is increasing, it is in the face of a continually shorter period in which to experience it. On the other hand there is this to be said. An appreciable fraction of that strain does not occur on the job but in commuting back and forth from home to job. Traffic congestion in American cities grows continually worse. What we gain in shorter working hours we may well lose in the rush hour in the subways and on the streets. It is alleged that the employees of Mr. Ford often have to wait for an hour in front of the plant before getting a chance to board a home-bound surface car.

The decline in American mortality is impressive. Mr. Wolman has calculated that based on the death rate obtaining at the beginning of the century:

In 1925 there would have died 1,962,999 persons
But actual deaths were only 1,389,673

A saving of 573,326 lives

This exhibit covers substantially the last generation. The curve has continued upward during the era of prosperity, but certain recent studies make it dubious whether the rate is accelerating. The great gains are due to the decline in

tuberculosis and infectious diseases, and much of the spectacular work in this connection took place before 1922.

The exhibit furthermore covers the whole population. The Illinois Department of Health reports, in 1929, that the 500,000 male workers in the factories, mines and railroads of the state, suffer a mortality rate nearly *twice* that of workers in other vocations. This does not necessarily mean that the situation for industrial workers is growing worse. It simply means that they live more dangerously than the rest of us.Since the days of Watt, they always have.

They live more dangerously, among other things, because of accidents. The American Engineering Council finds that since 1920, industrial accidents have increased slightly faster than population. This connotes more strain. But for the mass production plants, where management is actively functioning, the story is otherwise. 14,000 plants employing 2,500,000 workers were analyzed by the Council. The plants showing increased productivity per worker had a declining accident rate. The coefficient of correlation was .835—a high one. "The manufacturing plant with high productivity may be expected to have a low accident rate, and vice versa. . . ." Industrial medical departments, insurance companies, state laws, the National Safety Council—all have combined to further the "safety first" movement. Fool proof machines are being designed, safety contests are held, plants vie with one another to reduce their accident rate. They have plenty of margin still to operate upon. By and large American industrial accidents are a scandal and a disgrace.

Working conditions in the shop are certainly improving. Take for instance lighting. The turret lathe operators in the American Metal Works, while increasing their production, receive 20 foot candles of illumination where they

used to receive but 11. A woodworking shop in Philadelphia increased its foot candles from 5 to 25. Altogether Mr. Alford gives us 30 cases of better productivity accompanied by better lighting.

When we come to strain induced by the machine itself, we are faced with a serious dilemma. Machines like farmers are not all alike. Here is a belt conveyor in an automobile assembly shop, setting the tempo for all the human beings in the building. Give it oil and power; it never tires, never stops. Against its remorseless rhythm, human flesh and blood fights an uneven battle. If geared sufficiently high, only the young and strong can hope to hold their own, and that not for long. New blood must presently be pumped in. From the human standpoint the balance is in the red. But here is a machine which automatically inspects needles. When it comes to a crooked one it throws it out. This work used to be done by human eyes, 3,000 needles to examine per hour. We can only guess at the strain and headache of this task. The machine inspects 17,000 an hour, and has no eyes to strain, or head to ache. From the human standpoint this machine is an unmitigated blessing. Machines thus make and break nervous tension. Where the balance lies no man knows. The basic studies have never been made.

I spoke of the assembly line—speeded above the biological danger line. Suppose it is geared lower. Suppose only that type of man—duly selected by test—is given access to it who can find comfort in daydreams and who does not revolt at repetitive work. It is a common type. Suppose that the company finds that more profit is to be made by steady, adjusted workers at lower speeds, than by nervous, unadjusted workers, frequently hired and fired, at higher

speeds. The more advanced management engineer is beginning to find this out. Thus even the assembly conveyor may be tamed. The fact remains that it normally is not—particularly in automobile plants.

Another way to tame it is to eliminate it altogether in its present form. This is already being done. A plant for manufacturing motor car frames has recently been set in operation. Raw steel comes in at one end and the finished product goes out at the other, no human hands assisting. The process is completely automatic. "Mr. Televox," a mechanical robot, sensitive to sounds over a telephone, is pulling levers in power stations without a human being in the plant. Think of the vast reduction in ragged nerves among switchboard operators which the dial telephone is promoting. (The case is not quite so clear for telephone users!) The girls lose their jobs—but that is a category which belongs to the preceding chapter.

With the decline of the Big Boss, plans for employee representation are beginning to be set in motion. In so far as the worker has a vote in the management of his own job, we would expect an abatement of speeding up and overstrain—though occasionally we might be disappointed. Here are the figures:

Employee Representation Plans

Year	*Number of Companies*	*Workers Involved*
1919	145	404,000
1922	385	690,000
1924	421	1,241,000
1926	432	1,369,000

This movement has grown during prosperity, and in so far as the plan is not an empty gesture, engineered through

a broken spirited company union, it registers another white mark for management. The Amalgamated Clothing Workers can tell you how to do it properly.

You will also be glad to learn that "welfare work" is on the decline. This was the Big Bosses' pet device for sidestepping a needed wage increase. "Especially out of fashion to-day," says Mr. Dennison, "are the magazine articles which in 1919 and 1920 described 'what we do for our employees.'" Three rousing cheers!

Medical examinations of employees are gaining ground. During the War, psychological and trade tests had a great vogue, but were largely dropped after the slump of 1921. They were pretty crude at best. There is a very bright future in testing for job adaptability, but first we need to know rather more about psychology. It is probable that we are on the threshold of a genuine science of selection.[1] Good work is already being done in the examination of prospective life insurance salesmen, department store employees, street railway motormen, and taxicab drivers. (Do the psychologists, I wonder, include a vocabulary test for the latter? Performance is admirably high in all cities, but particularly in New York.)

A point altogether overlooked by the calamity chorus is the great increase in *team work* under the new canons of management. Employees are teamed into organized groups about a machine or a machine series. Human beings adjust far better to monotonous work when they all pull together—a lesson long since learned on the sea and in the harvest fields. Also a job is less fatiguing when it "can be continually seen as a part of a more complex job done by a team."

[1] See Mr. Ordway Tead's *Human Nature and Management.*

For the industrial worker facing the wilderness of modern machinery we can lay down no yardstick as long as the nation and say that strain is either increasing, or decreasing. It depends on the specific machine, the duration of the contact, the nervous equipment of the worker. Mr. Dennison guesses that the total fatiguing effect of factory work has not increased during the era of prosperity, but is not so sure about the factor of monotony. His is as good a guess as any, and made by one who, preëminently among the exponents of the new management, appreciates the human factor.

But this, of course, does not finish the argument. For prosperity in any deeper sense we would demand a *very great reduction* in that speed and strain of factory work which has been rampant throughout the entire period of the industrial revolution. We find no such reduction—although the automatic process may some day bring it. We only find that the pressure does not seem to be getting any worse.

So much for the industrial worker—an inconclusive story, but where shall we find more conclusive evidence? Two other aspects of stress and strain in the modern world engage us. First, we have heard much from the prosperity chorus as to the modern housewife—freed at last from her ancient drudgery, sitting in a nickel-plated heaven of labor-saving devices. Her hands are lily white, and her frock is suitable for a *thé-dansant*. This pretty picture needs a trifle more examination before consolidating our hallelujas with the advertising section of the popular magazines. And second—outside of the job, outside of the kitchen—is life as a whole speeding up? Are nervous diseases on the increase; are we as a people constrained to move faster and faster to keep in the same place?

The housewife's leisure—if any

The housewife need not long detain us. Business class matrons are deriving some added leisure by virtue of electrical appliances in the home—or it might be more accurate to say that their maids are. Here and there a washing machine or a vacuum cleaner, bought on the installment plan, is easing the load on a working class homemaker. Electric lights aid both classes. But by and large some 27 million followers of the housewife's trade might arise and announce in the words of Mark Twain, "The report of my death has been greatly exaggerated." Miss Hildegarde Kneeland of the Bureau of Home Economics in the Department of Agriculture, has recently studied 2,000 homemakers, picked at random from farms, towns and cities, and belonging to both the working class and the business class. She finds:

The average working week in the home is 51 hours, and thus some 3 hours longer than in the factory.

One third of the women studied spend over 56 hours a week.

If 8 hours a day be enough, one-third of the whole group are overworked and only one-sixth underworked.

The 950 farm women averaged 62 hours a week, including some work around the place.

Women in cities of from 2,500 to 50,000 population averaged 51 hours.

Women in cities of over 50,000 averaged 48 hours.

Only 10 per cent of women in large cities spent less than 35 hours.

Only 5 per cent of American homes employ help.

The best case (in New York State) was a farm woman without children, living in a 5-room home, with running

water, electric lights and a washing machine. She spent 31.3 hours a week for the care of 2 persons.

The worst case—in New York still—was a woman in a 9-room house with a husband, 4 children, and no improvements. The family spent 117 hours a week on house work.

Rural housewives are unquestionably still carrying full-time or over-time jobs. Prosperity has meant little or nothing to them. Urban housewives have gained somewhat more leisure in the past few years, though the overworked woman probably still outnumbers the underworked one. Look again at the table in chapter four showing the installation of mechanical devices in homes, and the tremendous gaps still to be filled before the pretty picture of the prosperity chorus can be called a normal one.

A wife of a Middletown laborer, mother of 4 children, was asked what use she would make of an extra hour a day if she had it:

> I'd go to bed. They tell me I have chronic appendicitis and gall-stones. Our doctor wanted to operate last year but he said it would cost $150 for the operation and two weeks in the hospital, and we can't afford that much. I'd go to the capital where it can be done cheaper, but I just can't bear to leave the children to run wild that long.

Faster and faster

Our last inquiry is not one which can be shown readily by figures. How shall we set about to prove that the whole tempo of modern life is quickening? I cannot prove it, but I think that it is. By virtue of the motor car we certainly travel far more miles per annum than any people has ever done before. By virtue of the telephone we make—and break—far more engagements. By virtue of radios, riveting

machines, phonographs, motor horns, airplane engines, outboard motors—we live in an atmosphere of ever growing din. (Incidentally short skirts on city streets have increased the racket. Noise bounds off legs; it used to be absorbed in part by the fabric of full skirts. Or so the professors inform us after mammoth labors with their noise measuring machines.) By virtue of the Western Union we dash off telegrams rather than enter into the old-time, leisurely "correspondence." By virtue of an improved ticker we hurl sixteen million shares from A to B and back to A again in a single day. The record for the number of people who can be jammed into one subway car is broken regularly. Indeed the whole phenomenon of record-breaking, from flag pole sitting to continuous piano playing, grows ever more furious. Furious also is the rate at which we join clubs. We city people drink too much, smoke too much, jazz too much, wise-crack too much. We are restless, nervous, unsatisfied; perpetually seeking that which we do not find.

As corporate profits have risen, so has the tempo of living. The rhythm bespeaks vitality, but not happiness and peace. I can find no reliable evidence, however, that nervous diseases are on the increase, or that any substantial group of Americans, anywhere in the Republic, is revolting against the speed at which they live. The retreats and the monasteries may come, but I have yet to see the laying of their corner stones.

CHAPTER XIII

BALANCING THE BOOKS

We have let us say an onion. The onion represents the total economic life of the United States at the present time. The heart of the onion is prosperity. How large does it bulk?

First, we must strip off all the states not included in the Middle Atlantic, East North Central, and Pacific states. The National Bureau of Economics finds that by and large these states have not prospered.

Second, in the prosperous belt, we strip off most of the farmers; they have not prospered.

Third, we strip off a large section of the middle class. The small business man, the independent storekeeper, the wholesaler, many professional men and women, have failed to keep income on a par with the new standard of living.

Fourth, we strip off the unemployed. Machinery appears to be displacing factory, railroad, and mining workers—and recently mergers are displacing executives, salesmen and clerks—faster than they can find employment in other fields. The net increase in "technological unemployment" since 1920 exceeds 650,000 men and women.

Fifth, we strip off the coal industry which has been in the doldrums throughout the period.

Sixth, we strip off the textile industry which has been seriously depressed.

Seventh, the boot and shoe industry. Ditto.

Eighth, the leather industry.

Ninth, the shipbuilding industry.

Tenth, the railroad equipment industry.

Eleventh, we strip off the excessive number of businesses which have gone bankrupt during the era.

Twelfth, we strip off those millions of unskilled workers who were teetering on the edge of a bare subsistence in 1922, and by no stretch of the imagination can be called prosperous to-day. The best that can be said is that their position is a little less precarious than it was.

In short only a part of the country has been prosperous, and even in that part are at least 11 soft spots—some of them very unpleasantly soft.

What then remains?

A good deal remains. This categorical stripping process sounds impressive and is true enough, but we must be careful not to let it destroy our perspective. All through the preceding chapters we have noted item after item which reflected, according to the definition of prosperity employed, some genuine advance. If we list such items one by one, another impressive exhibit will confront us.

And here I should like to be permitted a philosophical aside. The human mind is a clumsy and impetuous instrument. Nor is it fond of hard work. Most people find two, or at the outside, three, supporting cases sufficient for a generalization. Thus, if we see one and presently another young lady with bare legs on Fifth Avenue, we announce to our luncheon partner: "The whole town is going bare legged

this summer." Or if we note two Rolls Royces parked on Main Street, we say: "This place is full of millionaires." Or if we hear two series of explosions above our heads: "Great day for airplanes." When I show, one after the other, no less than twelve dissents from the view that America is prosperous, the temptation is almost irresistible to conclude that prosperity is a myth; it does not exist. The mind automatically leaps to that clean-cut and dramatic conclusion. It promises safe anchorage; an end to an interminable argument; no more thinking. Snap out the lights and go to bed.

This, at least, is the way the author's mind reacts—as automatically as a knee jerk. My readers doubtless are wiser men and women, well versed in the suspended judgment. But lest you have not recently exercised the faculty—and, like a horse, it needs almost daily exercise—remember that a vast complex phenomenon, involving the material well-being of 120 millions of people, could stand twice as many categorical dissents without the destruction of its validity. Generalization for or against the existence of prosperity is only possible when scores of diverse conclusions, comprehending millions of individual facts, are taken into consideration. Indeed, the chief fault with this book, and may I say of any single book, is its failure to include sufficient evidence to warrant any dependable conclusion whatever.

The onion has shrunk, but it has not disappeared. We shall not list all the surviving leaves, but among the significant are:

1. A 20 per cent increase in the national income per capita from 1922 to 1928.

2. A 30 per cent increase in physical production.

3. A 100 per cent increase in the profits of the larger corporations.

4. A housing program expanding faster than population.

5. An increase in average health and longevity.

6. An increase in educational facilities greatly surpassing the growth of population.

7. A per capita increase in savings and insurance.

8. A booming stock market up to October 1929.

9. A 5-hour decline in the average working week.

10. A slowly rising wage scale against a fairly stationary price level.

11. An increasingly fecund, alert and intelligent science of management, resulting primarily in an ever growing productivity per worker.

(As I read this over, I am suddenly convinced that prosperity is a fact of commanding proportions. So the creeking instrument veers; appalled at the task of measuring verihood.)

The trouble with nearly every item on this second list is that while it indicates that we are more prosperous than we were, nothing whatever is said about the *extent of prosperity* from which we started. The base line is missing. If we were barely comfortable in 1922, we ought to be reasonably comfortable to-day. But of course the fact is that some 80 per cent of all American families lived below the budget of health and decency in 1922, and the 20 per cent increase in per capita income since that date, while it has helped to be sure, still leaves probably two-thirds of all families below the line.[1] Unfortunately, too, the 20 per

[1] The National Bureau of Economic Research estimated, for 1918, that 85.9 per cent of all gainfully employed in the country received less than $2,000 a year, and 72 per cent less than $1,500. There was little gain between 1918 and 1922.

cent cannot all go into intrinsically better food, housing and clothing, but must be applied to appease the clamoring salesmen of the new standard of living with their motor cars, radios, tootsie-rolls, silk stockings, moving pictures, near-fur coats and beauty shoppes.

In this connection another important qualification should not be overlooked. We have seen in the foregoing pages how Middletown, and with it the whole nation, has been shifting year by year to a pecuniary economy. Money has become the *sine qua non* of existence. In pioneering days a hard-working family could provide for itself literally without money from one year's end to the next. As we move from an economy of self-sufficiency to one of extreme specialization, a larger national income does not necessarily mean greater material welfare. Increasingly we get our income in dollars rather than in the provisioning of our own homes by means of truck gardens, house building and repairing, "handy" work of all kinds. This means more dollars in circulation and inevitably a rising national income. *But with no change in living standards whatever, money income would be expected to increase.* I am convinced that a fraction of the 20 per cent is accounted for by the shift to a dollar economy.

We have added a little real income and considerable fluff to the totally inadequate distribution of goods and services obtaining in 1922. Is this prosperity in the deeper sense? No. The most that can be said is that the last 7 or 8 years have registered a rate of advance in the direction of a prosperity which may some day be achieved. If you ask me to guess, I would say that if the next 7 years are as good as the last, and the next 7 again, and the next—by 1950 the United States of America would have doubled its per capita income as compared with 1922, and, with

the usual important exceptions for persons and classes, the bulk of the population would be receiving not less than $4,000 a year per family, and so be, if not extravagantly upholstered, at least reasonably prosperous. This would mean 28 years of upward curves. The longest business prosperity period so far in the history of the Republic is 14 years, from 1879 to 1893. Can the going economic system, with its utter lack of any coördinated control, hold the pace for a full generation and then peg it at the top? One doubts it. Perhaps, following the stock market crash, we have already begun to slip.

So much for national averages—always a little unreal in the absence of any such thing as the average man. Coming a little closer to the concrete by considering specific classes, we are reasonably sure of these generalizations:

The owning class was prosperous in 1922 and is still more prosperous to-day—absolutely and probably relatively. It has augmented its numbers considerably during the period—judging by income tax returns. While its assets have shrunk with the decline in market quotations for common stocks, there is an excellent chance that it will gain in the end what the other classes have lost on the market. It has the money to buy in at rock bottom prices. Thus the old saga of the shorn lamb repeats itself. The rich may well grow relatively richer by virtue of the landslide on Wall Street.

Skilled workers in certain trades, particularly construction work, were teetering on the edge of the budget of health and decency at the beginning of the era, and many of them are well over it to-day. Relatively speaking they have prospered. Masons, carpenters, plumbers have nearly doubled their hourly wage scales.

The unskilled workers—by far the greater fraction of

the working class—were under the budget in 1922, and most of them are still under it. They improve their money income somewhat by putting more of the family to work for wages.

The lower sections—again the majority—of the middle class were under the budget and are still under it. The upper sections have prospered in money income, but with the great increase in the standard of living demanded from professional men, their margin of security and genuine well being has not materially increased. The implacable Joneses lead them a hard life.

The farmers as a class have made no appreciable economic progress during the period. They are worse off than they were in 1920, though not quite so depressed as in 1922.

You will remember that in the first chapter we gave 4 definitions of prosperity:

1. As evidenced by the usual business barometers.
2. As evidenced by a greater flow of goods and services.
3. As evidenced by economic security and peace of mind.
4. As evidenced by the "life more abundant"—comprehending material welfare, security, and the upbuilding of a genuinely noble civilization.

We have seen the 9,000 families of Middletown working, homemaking, playing, living in this the fifth great era of American commercial prosperity. Raising our eyes from this concrete and typical city, we have seen the whole country, 27 millions of families, similarly producing, consuming, behaving. To tell the whole story would require 27 million novels from the pens of such observers as Theodore Dreiser, Ring Lardner or Sherwood Anderson. Failing this, we have done what we could with the dry skeletons of statistics, fortified with the qualitative researches and conclusions of many exceedingly competent authorities.

Measuring our findings, against these definitions, we may conclude:

Definition One

Business prosperity is a proveable fact. The national totals for corporate profits, new capital, bank clearings, life insurance totals, foreign investments, leave no doubt on this score. It has been "spotty," however, with lags and setbacks here and there throughout the structure. Medium-sized manufacturing companies have not gained at any such rate in earnings as the large mass production plants, where the new science of management is actively functioning. A crude generalization might be made to the effect that industries catering to the new standard of living have prospered at the expense of industries providing the old line staples.

Whether commercial prosperity will continue following the October 1929 stock market collapse is, at the present writing, an open question. We have already considered the pros and cons in the Introduction, and they need not be repeated here. Logically prosperity should continue. Psychologically we may be headed for a business depression.

Definition Two

Prosperity from the commercial standpoint, it must be remembered, has never meant much to the rank and file. In the course of the four earlier periods, labor benefited for the moment in steadier employment, and sometimes in an enhanced wage scale, but with the concluding panic, everything returned to the status quo—the same old tenements, the same old shacks, the same wet babies in the kitchen, the same old bread line. As retail prices usually went up, even the flow of goods was not markedly augmented.

But period five has a somewhat different story to tell. Since 1922, wages have increased, retail prices have re-

mained roughly stationary, and the flow of goods and services has been decidedly increased. While population has gained 12 per cent, the tonnage of physical production has increased 30 per cent. Unfortunately for the argument, this is not all consumers' goods. An unknown fraction represents an increase in producers'—or capital goods. Factories, office buildings, Diesel engines, turret lathes, power houses—are all admirable things, but they fill no hungry stomachs, *for the moment.*

One of the difficulties with the rate at which the technical arts are proliferating is that we never have a chance to catch up with ourselves. Model T must give way to Model A. Old machines must be scrapped, new ones built; old plants torn down, new ones erected; old conduits dug up, new ones laid. Steel and brick structures in New York, good for a century, are now regarded as "short term investments." A few years and the wrecking crew arrives (here is a new machine age skilled job for you), and down they come; a yawning pit; an inconceivable racket; and up go more "short term investments." The rate of obsolescence in capital goods has reached a staggering percentage. It may or may not register waste in the last analysis, but it certainly drains off a fearful total of physical production—steel, cement, glass, lumber, copper, coal and power.

For this reason I doubt if the wayfaring man has received as much in tangible consumable goods as the bulk productivity figures indicate. But he has certainly received some increase in net tonnage. Above all he has received new sorts and varieties of goods, sacrificing, at the same time, housing space, bulky foodstuffs, textile yardage—the last applying particularly to the wayfaring woman. He has received the motor car for which his spirit yearned; for which he was willing to cut down on food and clothing if need be;

and which incidentally did more than any other one factor to keep business prosperity swinging upward. With all due allowances, up, down, and sidewise, I would conclude that the second definition of prosperity has, on the whole, been met obliquely if not squarely. A somewhat greater allotment of material goods and services has been distributed to the average man and woman in the last 8 years.

Definition Three

Now as to prosperity measured in terms of economic security and peace of mind. Unemployment has been rampant, and according to the careful calculations of Mr. Wesley C. Mitchell, increasing throughout the period. We are probably entering, for the first time in industrial history, an era of "technological unemployment," in which, due to the encroachments of the machine, the total firing rate is to exceed the total hiring rate. A more destructive agent for security and peace of mind it is difficult to imagine.

With their land values in ruins the farmers have not passed their nights in dreamless slumber. They have been seeing werewolves for a decade. The middle class, as we have repeatedly noted, is trying to make a slightly expanded dollar meet a greatly expanded budget of wants—and with no very signal success. Ask the next college professor you meet about *his* dreams—or the next bookkeeper—or the next independent grocer, with a chain store across the street.

Industrial strains and stresses in the factory, as we have seen, are probably not increasing, but the pace of living generally is accelerating. As it whirls faster and faster, it brings no discernible peace of mind. No. The third definition we cannot grant. Prosperity in terms of tranquillity and genuine leisure has not arrived for most of us. In this

respect, the indians under the Incas were a far more prosperous people.

Definition Four

"Where wealth accumulates and men decay."

A very imposing collegium of critics and philosophers have taken this line as their text in viewing contemporary American civilization. Sinclair Lewis, H. L. Mencken, Edith Wharton, Eugene O'Neill, Ring Lardner, James Truslow Adams, not to mention the learned Oswald Spengler, are among those who incline to the belief that as the spiral of commercial prosperity whirls upward, the spiral of the good life whirls downward. Much of this foreboding is based on generalization from inadequate data; much is sentimental nonsense; much is founded on sound and realistic observation.

Prosperity in terms of a noble civilization can hardly be said to have spread its wings over the America of 1929. But I see no evidence of a net decay in either the population or its arts and accomplishments. College girls are 2 inches taller, 10 pounds heavier, and larger footed than their sisters of a generation ago. They may or may not be dumber, but such facts can hardly be construed as indicating decay. Babies live longer, sickness declines, the whole race is improving biologically.

Ah, but the mind, the creative instinct, the precious spiritual values. . . . Having no degree in metaphysics, I know nothing about the inwardness of such ghostly matters. But we all have eyes and ears and, with a little training, can tell whether buildings are finer, pictures are richer, plays more stimulating, poems grander, novels more compelling; whether criticism is more acute, statesmanship more intelligent, manners are better—than a decade ago. In brief, whether our commercial prosperity follows sign

boards marked: To Periclean Athens, To Augustan Rome, To the Florence of the Medicis; or per contra, to Bedlam or Bust.

Personally I favor some such marker as: No Speed Limit on This Highway; supplemented with: Dangerous Curves. American civilization was incoherent in 1920, and shows no signs of being any less so to-day. It does show enormous, and, I suspect, increasing vitality. The creative arts are below the pinnacles of other ages, but they are exceedingly active. Architecture in the skyscraper is searching for a new art form, in its way as thrilling as the temples of Angor. It is impossible to take two steps on the streets of New York without colliding with either (a) a novelist, (b) a painter, (c) a playwright, or (d) a designer of fabrics, metal light fixtures, or cock-eyed office furniture. A whole new age of decoration is breaking out in interior furnishings, office equipment, lavender bathtubs, and even rose-colored oil heaters.

The scene is at once ludicrous, arresting, inspiring, and always genuinely stimulating. . . . There is just a chance that America might whirl itself into the most breath-taking civilization which history has yet to record. . . . But to date the chief exhibit is activity. Manners, due mainly to speed and congestion, are growing steadily worse. Statesmanship, rendered impotent by the business man, stumbles determinedly downhill. Civic comeliness emerges in noble courthouses, schools, hospitals, and university groups, only to be completely canceled by a plague of sign boards, pop stands, filling stations, sky signs and the rotting skeletons of abandoned motor cars. Skyscrapers would be far more appealing if one could see them. We cannot yet brave a contrast with much of Europe. Zurich, for instance, is a manufacturing center, and lovely to look upon. Fall

River is a manufacturing center in a beautiful natural setting, and hideous to look upon.

By all odds the noblest aspect of our civilization is found in our engineering works. The turbines of a great power station, the Roosevelt dam, an airplane in flight, the new Hudson River Bridge, the sweep and curve of cement highways, the speeding arrows of interstate transmission lines, the clean smack of racing motor boats, the grain elevators of Minneapolis—all may or may not signify spiritual attainment, but still stubbornly attest to the greater glory of man's mind and hand. In this department we have achieved a nobility of sorts, but current American civilization, as a total phenomenon, hardly deserves more than the credit of being hectically alive. Which is better after all than being beautifully dead, but still a long march from Attica.

And finally

Prosperity as a rate of advance. Here if anywhere lies the real achievement of these 8 years. In industrial management, the central fire of that advance, we find the most dramatic and significant aspect of the whole complicated story. It is management, furthermore, which has built these turbines, dams and power lines, released these birds of steel to wing across the sky. Even the skyscraper is more the product of the engineer than of the architect.

Steadily the output per worker rises in the well managed factories, railroads, mines. Steadily the cost of production falls. Ever more exciting grow the machines and instruments which raise output, lower costs, increase control. Here is a press like a rearing brontosaurus 30 feet in height, just installed by a company manufacturing motor cars. It exerts a pressure of one million pounds. A piece of raw steel is fed to it. Crunch! Out comes a finished fender.

Here is a new loom with a 75-foot reed space and a weight of 48 tons. It is so wide that one or more weavers cannot watch the quality of the cloth. The difficulty, however, has been neatly short-circuited by making the loom almost completely automatic. Here is a new electric "track" for guiding both ships and airplanes in dirty weather. A wire —under the water or over the land as the case may be— carries a high frequency current. It induces a similar frequency in a coil carried by the steamer or the airplane. When the helmsman hears a high pitched buzz, he knows he is safely over the "track." If the buzz weakens he is drifting into danger, and must promptly steer back. Thus he can handle his craft blindfolded, relying on his ears alone. Here is—one might go on indefinitely. . . .

Similarly, the psychological contacts with the worker grow more intelligent—a factor utterly overlooked in the Taylor systems of 20 years ago. His curve of fatigue is plotted, his adaptability to a given job is measured, his accident rate is brought down, his hours of labor are reduced, his wages are increased according to the doctrine of the economy of high wages, his leisure is respected and not corrupted with the company uplift schemes so dear to the heart of the Big Boss. I repeat that this bright picture is not general throughout America industry, but it does represent the ideal towards which many plants are striving. The spear head of the whole movement is probably found in those establishments—such as Hart Schaffner and Marx, or the equipment shops of the Baltimore and Ohio Railroad—where a strong and intelligent labor union coöperates with management, thus becoming an integral part of the directing mechanism.

A beautiful technique this new science of management; the crowning achievement of prosperity. Given a free hand

it might remake American industry humanly as well as technically. Given a free hand, it might abolish poverty, immeasurably diminish the stresses and strains which have dogged every step of the industrial revolution since the days of Watt. It might flood the nation with essential and even beautiful goods at a fraction of their present cost, raise the curse of Adam, and lay the basis for, if not positively usher in, one of the noblest civilizations which the world has ever seen.

But the hands of management are not free. The technician is constantly undone by the sales department, which, floundering in a pecuniary economy, sees no other way—and indeed there is no other way—to maintain capacity than by style changes, annual models, advertising misrepresentation, and high pressure merchandising. He is undone by the vested interests of the owners who demand their pound of flesh in rent, interest and dividends *now*, with no thought for the rounded perfection of engineering principles, and the time which they—and the physical laws which sanction them—demand. Foresters have worked out the technique for a perpetual lumber supply, with annual growth beautifully balanced against annual needs. But private enterprise cannot wait. Tear me down this grove to-morrow—and let the slash burn, and the soil run into the sea—I have a note maturing. So we cut our priceless heritage of forest four times as fast as it grows. In 30 years, at the present rate of exhaustion, it will be all but gone.

Above all, the technician is undone by failure to inaugurate a national system of super-management, whereby production might be articulated to consumptive needs, and the fabulous wastes of excess plants, excess machines, excess overhead costs, uneconomically located industries,

cross hauling, jam, tangle and bottlenecks, brought under rational control. That such supermanagement is not beyond human capacity to operate, the experiences of the Supreme Economic Council during the War, and of the Russian Gosplan to-day, amply demonstrate. What a lordly science of engineering we might have, and to what great human benefit, if industrial anarchy gave way to industrial coördination and socialization in those fields where it logically belongs.

Prosperity in any deeper sense awaits the liberation of the engineer. If the owners will not get off his back—and why should they; they pay him little enough and he fills their safe deposit boxes?—I, for one, would not be sorry to see him combine with the wayfaring man to lift them off. A complicated technical structure should be run by engineers, not hucksters. But the technician is the modern Prometheus in chains.

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